ANHEUSER-BUSCH COMPANIES, INC.

Annual Report 1988

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Cover photo (circa 1890) courtesy of Missouri Historical Society

Beer. Baseball. Potato chips. Amusement parks. The homey, old-fashioned aroma of fresh-baked bread. Pure Americana.

Anheuser-Busch is proud to make products and provide services that have traditionally been part of the fabric of American life.

In this year's annual report, we salute family, friendship and fellowship—and the role our products and services play in enhancing those valued elements of American life.

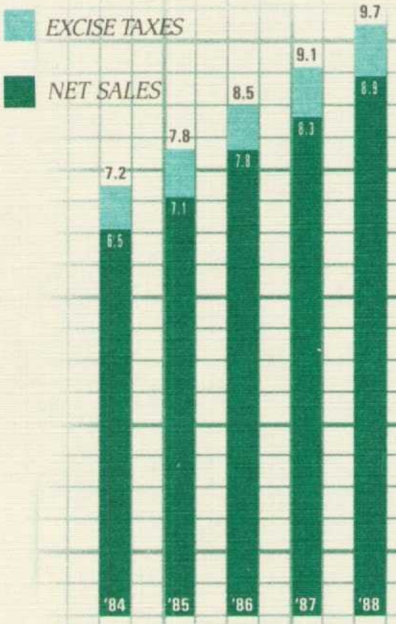
1988 Financial Highlights

(In millions, except per share, employee, shareholder and statistical data)

Year Ended December 31,	*1988*	*1987*	*% Change*
Barrels of beer sold	78.5	76.1	3.2
Sales	$9,705.1	$9,110.4	6.5
Excise taxes	781.0	760.7	2.7
Net sales	8,924.1	8,349.7	6.9
Net income	715.9	614.7	16.5
Earnings per share	2.45	2.04	20.1
Cash dividends:			
Common stock	188.6	148.4	27.1
Per share	.66	.54	22.2
Preferred stock	—	20.1	(100.0)
Per share	—	3.23	(100.0)
All taxes	1,415.7	1,404.4	.8
Capital expenditures	950.5	841.8	12.9
Depreciation and amortization	359.0	320.1	12.2
Effective tax rate	38.3%	42.2%	(3.9)%
Return on capital employed	13.5%	12.8%	.7%
Return on shareholders equity	23.9%	22.4%	1.5%
Total debt to total debt plus equity	34.2%	33.0%	1.2%
Fixed charge coverage	7.4	7.4	—
Financial Condition At December 31			
Working capital	$ 15.2	$ 75.8	(79.9)
Plant and equipment, net	5,467.7	4,994.8	9.5
Long-term debt	1,615.3	1,422.6	13.5
Shareholders equity	3,102.9	2,892.2	7.3
Per common share	10.95	9.87	10.9
Number of employees	41,118	42,011	(2.1)
Number of common shareholders	72,967	64,343	13.4

Note: 1987 financial information has been restated to reflect the adoption in 1988 of Financial Accounting Standards No. 94, Consolidation of Majority-Owned Subsidiaries.

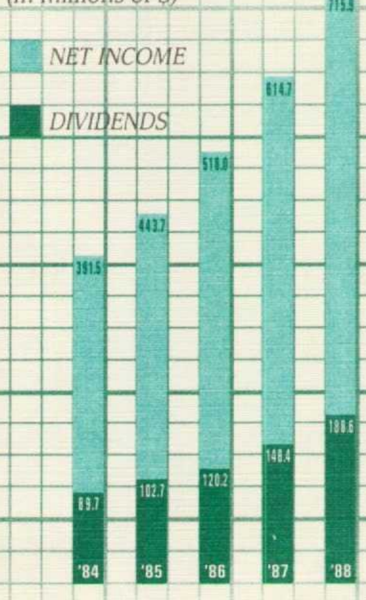
*SALES** *(In billions of $)*



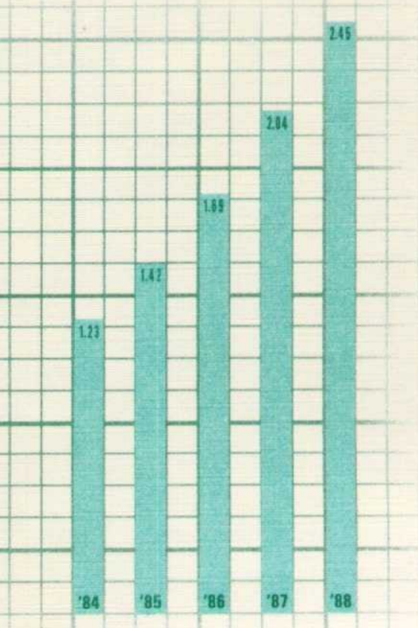
* NUMBER ON TOP OF EACH GRAPH INDICATES GROSS SALES

NET INCOME/DIVIDENDS ON COMMON STOCK

(In millions of $)



EARNINGS PER SHARE



LETTER TO SHAREHOLDERS

I am pleased to report another year of record sales and earnings in 1988, with growth in every major operating subsidiary.

As a result of this excellent performance, gross sales for Anheuser-Busch Companies rose 6.5%, to $9.7 billion. Net income was $715.9 million, a gain of $101.2 million, or 16.5%, over 1987. The strong net income growth, coupled with our continuing share repurchase program, resulted in earnings per share of $2.45, 20% higher than last year.

The strength of our overall performance is best indicated by the return on equity, which grew to 23.9% in 1988 from 22.4% in 1987. In addition, return on capital employed increased to 13.5%, up from 12.8% a year earlier.

Clearly, 1988 was another successful year in the history of this corporation. Anheuser-Busch, Inc., our beer company, completed its 32nd consecutive year of industry leadership, and two of our subsidiaries—Campbell Taggart and Busch Entertainment—had their best years ever in terms of profit contribution to the company.

Current business journals often discuss the importance of corporate culture in determining the continuing success of a company. They cite focus, direction and leadership as the key attributes that distinguish the winners from the losers. Anheuser-Busch has those attributes. We began as a beer company in 1852. Through the years we have maintained our focus on quality, which we believe is the cornerstone of our success. We have carefully planned our course and then moved confidently forward, with a clear sense of direction. We have been guided by leaders with vision, beginning with our founder, Adolphus Busch.

That strong tradition, coupled with experienced, aggressive wholesalers and dedicated employees, has given Anheuser-Busch its preeminent position within the industry. We ended 1988 with a 41.1% share of the U.S. brewing industry, a 1.2% share gain. Our market share is now nearly twice that of our nearest competitor.

While beer remains our foremost priority, we are always looking in similar or related fields for additional opportunities that will add value to the company. Food products, beverage containers and entertainment all have unique tie-ins with our core business and we will continue to invest in these areas. As with beer, quality is our guiding principle. However, it is equally important to ensure the profitability and cash flows needed to realize an appropriate return on investment.

One of the primary objectives for Anheuser-Busch, Inc., is to achieve a 50% share of the domestic beer market by the mid-1990s. This is an ambitious goal—but not an unrealistic one. We already have at least a 50% share in 13 states. A number of factors will contribute to the realization of our goal, including the continued consolidation within the industry, our ability to innovatively market our high-quality products and the dedication of the world's finest brewing and beer selling team.

Clearly, continued emphasis on marketing efforts will help ensure that we reach this goal. We will continue to look for sponsorships of unique media events with high viewership, such as the Olympics. To ensure that our advertising overcomes the clutter of messages now in the media, we will use the type of creative executions seen this year with Bud Bowl I during the NFL Super Bowl.

In addition, new introductions like Michelob Dry will keep our product lines fresh and appealing. We will also maintain a competitive pricing strategy that will support the quality image of our brands. We do not intend to adopt the constant and deep price discounting policies followed by some of our competitors. These policies may appear to have short-term advantages, but they are detrimental to long-term growth and profitability.

It is important to protect our consumers from the pressure groups that seek to stigmatize and penalize through such measures as regressive taxes and marketing restrictions those who use our beverages in moderation. We maintain a strong commitment to promote responsible beer consumption, and we will continue to defend the rights of our consumers to enjoy beer, a wholesome beverage that can add to the quality of life when consumed in moderation—as intended.

Objectives for our non-beer operations vary depending on their stages of development. Campbell Taggart will continue to improve its profit performance through both operating and distribution efficiencies. Eagle Snacks intensified its marketing efforts during 1988 and is on track to achieve its short-term volume objectives. The new Visalia, Calif., plant began production in December 1988, and national rollout of our entire line of snack foods will be completed this year.

Metal Container Corporation will continue to pursue new can business both internally and from soft drink companies. Significant capital additions in the U.S. and abroad are also being considered.

Several exciting new opportunities are on the horizon for Busch Entertainment as well. It is important to note that our theme parks, which make a significant profit contribution, also offer an added promotional benefit to the corporation. Millions of people each year are exposed to Anheuser-Busch products during their visits to Busch Gardens.

The company continues to make substantial investments in its non-beer businesses. At the same time, the overall return on capital employed has improved steadily, from 11.2% in 1984 to 13.5% in 1988. We expect returns to remain strong as we continue to increase volume and unit profit growth in newer operations. In addition, we expect increased volume and operating efficiencies to further improve beer margins.

While we are pleased with the growth and performance of all of our operating units, we understand that each of our business investments must ultimately increase shareholder value. Overall, the company's return on equity was 23.9% in 1988, up from 18.2% five years ago. Over the past five years, a shareholder's $1.00 investment in Anheuser-Busch's common stock has grown to $2.25, a compounded annual increase of 17.6%.

Future increases will, of course, depend on the strength of our business plans and our continuing ability to manage them effectively. To that end, during 1988 we divested several businesses which either did not provide profitable growth opportunities or did not fit our long-term goals. The result is a tighter, more focused organization. We also continue to monitor staffing levels while improving communication, responsiveness and efficiency. We are proud that our employees are generally recognized for their professionalism, dedication and commitment to quality. Employee commitment to Anheuser-Busch is evidenced by the fact that employees hold nearly 5% of the company stock through our stock purchase and savings plan.

Anheuser-Busch greatly benefits from a capable and involved Board of Directors. Our 15-member Board provides a keen perspective on the decision-making process. Last year we were proud to welcome two new directors: Vernon R. Loucks, Jr., chairman and chief executive officer of Baxter International, Inc., and Edward E. Whitacre, Jr., president and chief operating officer of Southwestern Bell.

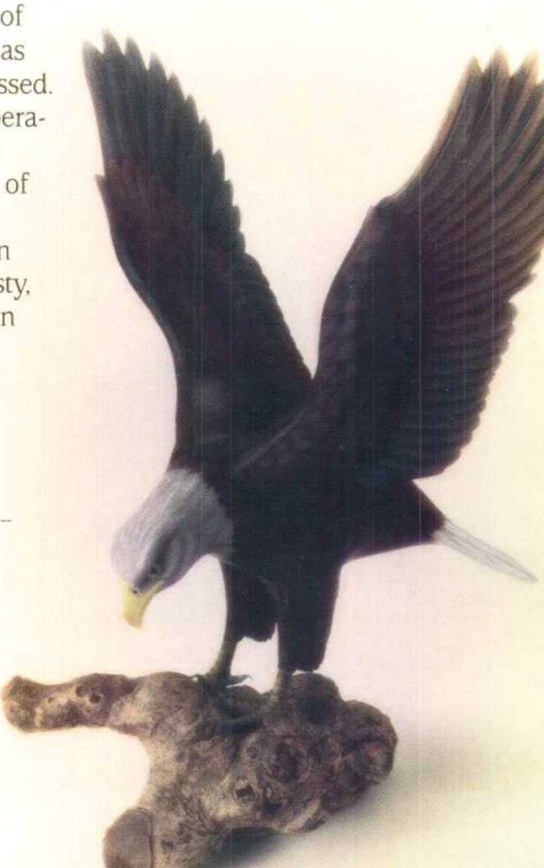
As a result of the appointment of his wife, Carla Hills, as U.S. Trade Representative, Roderick M. Hills resigned as a director of the company in February in order to avoid even the appearance of a conflict due to Anheuser-Busch's continuing international operations. The company gratefully acknowledges the valuable contributions made by Mr. Hills during his 11 years of service on the Board.

I am sad to report that the Board suffered a loss last year with the death of Margaret Snyder Busch, who made many contributions during her 48 years as an employee and 13 years on the Board of Directors. Her presence will be missed.

I invite you to read the following details about our 1988 performance, operations and programs. As you do, keep in mind that Anheuser-Busch faces the business opportunities and political challenges of the future from a position of strength. Our financial condition is sound. Our market position is solid. Our wholesaler system is the best in the industry. Our employees are the finest in this country. And as a company we are committed to the principles of honesty, integrity and product quality, which have held us in good stead for more than 136 years.

Based on this foundation of strength, we are confident that our winning tradition will continue.

August A. Busch III
Chairman of the Board and President
February 6, 1989



ANHEUSER-BUSCH COMPANIES, INC.

CORPORATE MISSION STATEMENT

Anheuser-Busch's corporate mission statement provides the foundation for strategic planning for all subsidiaries.

The fundamental premise of the mission statement is that beer is and always will be Anheuser-Busch's core business. However, other businesses complementary to beer will be developed over the long term in order to maintain Anheuser-Busch's status as a growth company.

In terms of beer, Anheuser-Busch's goals are to enhance its position as the world's leading brewer of quality products; increase its share of the domestic beer market to 50% by the mid-1990s; and, over time, substantially increase its presence in the international beer market.

In the beer-related and food areas, Anheuser-Busch's goal is to develop businesses in entertainment, packaging and food products which offer significant growth opportunities. These operations will be businesses which deliver products or services of superior quality; enhance Anheuser-Busch's beer business or which are enhanced by the company's beer operations; and have a corporate culture that is compatible with that of Anheuser-Busch. They will also be businesses to which Anheuser-Busch can add significant value.

The mission statement also sets forth Anheuser-Busch's belief that the cornerstones of its success are a commitment to quality and maintaining the highest standards of honesty and integrity in its dealings with all stakeholders.

SOCIAL RESPONSIBILITY

During 1988, Anheuser-Busch Companies and its charitable foundations contributed more than $20 million to worthy nonprofit organizations. These contributions have primarily been focused in three areas.

Alcohol Issues

Anheuser-Busch supports scientific research into the causes and possible cures of alcoholism and alcohol abuse. More than $1.85 million was contributed in 1988 to such organizations as the Alcoholic Beverage-Medical Research Foundation in Baltimore, Md., and the Alcohol Research Center at UCLA. Anheuser-Busch is also a major supporter of Students Against Driving Drunk, which alerts students to the dangers of drinking and driving.

Minority Development

Anheuser-Busch is a major contributor to minority educational/training programs. As the founder and national sponsor of the Lou Rawls Parade of Stars telethon, Anheuser-Busch has helped the United Negro College Fund raise more than $65 million since 1980. The company also contributed $1.2 million in 1988 to the National Hispanic Scholarship Fund (NHSF) to support its development and scholarship efforts. Anheuser-Busch is the NHSF's largest corporate supporter.

Community Support

Anheuser-Busch helps enrich the communities in which it operates breweries and other major facilities by supporting local nonprofit organizations such as the United Way, social service agencies, arts and cultural groups, health care institutions, youth groups and colleges and universities.

INDUSTRY AND GOVERNMENT AFFAIRS

Anheuser-Busch Companies has always taken a leadership role in addressing issues that can have a major impact on the company and its stakeholders. The company's Industry and Government Affairs Department monitors legislative and regulatory developments at the international, national, state and local levels.

Anheuser-Busch Companies has followed two basic strategies in dealing with legislative and regulatory issues. First, the company recognizes that it must make positive, effective efforts to solve any problems associated with its businesses or the misuse of its products. And second, through the Industry and Government Affairs Department, Anheuser-Busch has developed a full array of political tools enabling it to effectively counter misguided legislative efforts.

This combination of positive solutions and comprehensive political action has been very effective in preserving the company's ability to operate responsibly. Working with professional lobbyists, employees, wholesalers, retailers and America's 80 million beer drinkers, the company is well prepared to address today's legislative challenges.

Positive Programs

Anheuser-Busch recognizes that, as a responsible corporate citizen, it must play a role in society's efforts to address important issues. To that end, the company maintains a variety of programs in such areas as alcoholism, alcohol abuse and environmental concerns.

In addition to supporting medical research programs that relate to alcohol abuse, Anheuser-Busch has undertaken a wide variety of programs to combat the misuse of its products, with particular attention to cooperative efforts with the company's wholesalers and the retail community. These include:

• "Your Alcohol IQ," an interactive videotape program produced by Anheuser-Busch and made available for free loan at thousands of video rental stores throughout the nation. Featuring "LA Law" stars Jill Eikenberry and Michael Tucker, "Your Alcohol IQ" raises questions and provides answers that may enable consumers to drink more responsibly and safely.

• Operation ALERT, a comprehensive grass roots effort using the skills of the company's wholesalers and their retail customers to deliver a moderation message to millions of people each year.

• Employee education and assistance programs. Anheuser-Busch is a leader in the development of assistance programs to help employees and their families in addressing a variety of problems, including alcohol abuse.

• TV moderation ads, featuring the popular Bud Light mascot, Spuds MacKenzie.

As a result of efforts such as these, most major indicators of abuse have been declining in recent years and are expected to continue doing so.

Political Developments

During 1988, the U.S. Congress passed two measures of importance to the brewing industry.

The first piece of legislation creates financial incentives for states to enact and enforce a variety of aggressive anti-DWI measures. Anheuser-Busch joined with the National Beer Wholesalers Association in endorsing passage of this legislation to demonstrate its commitment to responsible drinking. The company continues to communicate to legislators and the general public that beer is a wholesome beverage that can add to the quality of life when consumed in moderation—as intended—and that the vast majority of consumers drink beer responsibly and should not be stigmatized by the actions of those who drink irresponsibly.

The second piece of federal legislation requires that a warning be included on the labels of all alcoholic beverages. Producers will be required to begin displaying the label mandated by this measure by November 18, 1989. The label will address the issues of birth defects, drunk driving and general health.

Anheuser-Busch has historically supported efforts to provide accurate and useful information to the consumers of its products. Importantly, the warning label mandated by Congress will provide a uniform label throughout the country rather than permitting each state to impose its own individual label.

A third federal initiative would have significantly increased beer excise taxes to fund a major effort to combat illicit drugs. Anheuser-Busch participated in successful industry efforts to oppose singling out beer consumers for higher taxes.

The company anticipates continued pressure to increase beer excise taxes at the federal level—and in many states—during 1989. Anheuser-Busch strongly opposes such taxes because the working men and women who consume beer are already paying their fair share of taxes.

In all of its efforts during 1989, Anheuser-Busch will continue to rely on its employees, wholesalers, retailers and shareholders, together with other members of the industry, as valuable allies in addressing public policy issues.

HUMAN RESOURCES

Anheuser-Busch Companies recognizes the importance of human resources in the continued growth and success of its business operations. As a result, the company provides salaries, wages and fringe benefits which are among the best in American industry.

In March 1988 the company reached agreement with the International Brotherhood of Teamsters on a three-year national labor contract covering the great majority of production and maintenance employees at its breweries. Subsequently, the company came to terms with all of the other unions representing brewery employees. The company's relationship with the unions representing its employees remains excellent.

The office of Corporate Human Resources continues to focus on human resources issues and activities, including human resource planning. Human resource planning has become an integral part of the corporate and subsidiary business planning processes. It involves identifying and implementing human resource programs that are necessary to accomplish business objectives.

The company believes that the importance of being an excellent manager increases daily. As a result, a curriculum of management development programs similar to those offered by top universities is presented for all levels of management, from supervisory to executive. In addition, special executive development sessions are presented each year for senior executives.

A written Human Resources Policy emphasizes the importance of open, two-way communication. To encourage this communication, various ongoing programs continue, including annual communication meetings at all major facilities; a "Comment" program, which allows employees to receive confidential written answers from management on questions of concern; and Personnel Communications, a confidential two-way communications program.

The company also fosters employee participation in matters affecting their work lives at company facilities around the country.

In addition, in 1978 the company established the first in-house employee assistance program in the brewing industry, and the program continues to help employees and family members cope with their personal problems.

BEER AND BEER-RELATED OPERATIONS

ANHEUSER-BUSCH, INC.

(Beer production)

Anheuser-Busch, Inc., which began operations in 1852 as the Bavarian Brewery, ranks as the world's largest brewer and has held the position of industry leader in the U.S. since 1957. Four out of every 10 beers sold in the U.S. is an Anheuser-Busch product.

The company had an excellent year in 1988. Anheuser-Busch, Inc. established another all-time industry record with sales of 78.5 million barrels, an increase of 3.2% over 1987 sales of 76.1 million barrels. Anheuser-Busch, Inc. now has a record lead of 38 million barrels over its nearest competitor.

Anheuser-Busch, Inc. increased its market share in 1988 with sales volume representing approximately 41.1% of total brewing industry

sales (including imports) as estimated by the Beer Institute, compared with 39.9% the previous year.

Gross sales of the company's brewing operations rose to $7.16 billion, a 5.7% increase over 1987 gross sales of $6.77 billion. Gross sales included federal and state beer excise taxes of $781 million in 1988 compared with $760 million in 1987.

The foundation of the company's past success and future growth is based on product quality, a comprehensive marketing effort, a solid wholesaler distribution system and the most dedicated, professional employees in the industry.

Anheuser-Busch remains firmly committed to product quality, which it believes has been the fundamental, irreplaceable ingredient in its successful performance for more than 100 years.

While most competitors are increasingly forced to rely on price discounting as their primary selling tool, Anheuser-Busch continues to emphasize the quality and value of each of its beer brands. While a traditional brewing process is used, modern technology is also employed to ensure the quality and consistency of the company's products.

Productivity improvement efforts are one way that the company controls costs while maintaining quality. By finding new and better ways to increase efficiencies, the company is able to better use its resources and thereby increase volume at low cost. The substantial efforts of Anheuser-Busch employees during the last nine years, together with an aggressive capital investment program, have generated total expense reductions of $475 million.

In addition, capital projects are being aggressively pursued throughout the beer company to further reduce costs. Finally, the employee suggestion program has been very successful in identifying new cost reduction opportunities in the breweries. In 1988, approximately 3,500 suggestions were received, a participation rate of more than 23%.

Products/Marketing Strategy

The hallmarks of beer as a consumer beverage are quality, taste, drinkability, convenience and thirst-quenching properties, all of which fit into the increasingly active, health-conscious and family-oriented life-style of the American consumer. More than 80 million Americans regularly drink beer.

Anheuser-Busch, Inc.'s family of 11 naturally brewed beers and three high-quality imports are highlighted below.

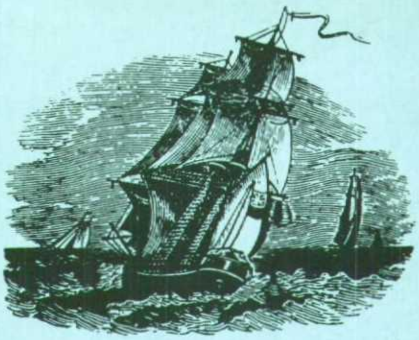
Budweiser—Brewed and sold since 1876, Budweiser is the company's leading brand and the largest selling beer in the world. More than half of the premium-priced beer sold in the U.S. is Budweiser.

Bud Light—Bud Light turned in an exceptional performance in 1988, recording double-digit volume growth, and is now Anheuser-Busch's second-largest brand.

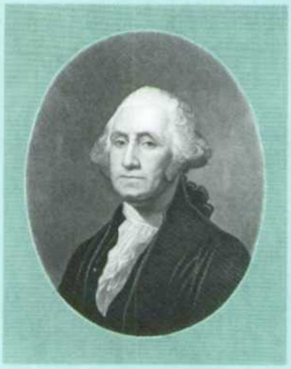
Michelob—Introduced in 1896, Michelob continues to dominate the super-premium category.

Michelob Light—A super-premium light beer, Michelob Light continues to play a significant role in the light beer segment.

Michelob Classic Dark—Michelob Classic Dark, the ultimate in dark beers, is available in draft and bottles nationwide.



Beer enjoys the distinction of having come over on the Mayflower. In fact, a shortage of beer seems to have played a part in the Pilgrims' decision to land at Plymouth Rock instead of further south, as intended. A journal kept by one of the passengers—and now in the Library of Congress—states, in an entry dated December 19, 1620, that the Mayflower landed at Plymouth Rock because "we could not now take time for further search or consideration, our victuals being much spent, especially our beere . . ."



Beer was a traditional beverage of hospitality and fellowship in colonial America. Great statesmen such as Thomas Jefferson and George Washington even had home breweries. Jefferson collected books about brewing and added them to his extensive library at Monticello, and Washington's handwritten recipe for beer—dated 1757 and taken from a diary he kept during his days as a Virginia colonel—is still preserved. Later Americans also enjoyed beer. Teddy Roosevelt took a large supply of beer (more than 2,000 quarts) to Africa in 1909 for his hunting expedition, and in 1939, Eleanor Roosevelt served hot dogs and beer to King George VI of England at the White House.

Michelob Dry—An innovative Michelob family line extension, Michelob Dry was introduced in 1988. Using a unique DryBrew™ method of brewing, Michelob Dry promises to bolster the super-premium category as the industry's first domestic dry beer.

Busch—Busch expanded its distribution in 1988 to Colorado and Montana. It is now the nation's fifth largest selling beer and is available in 41 states.

Natural Light—Natural Light, our sub-premium-priced light beer, also experienced strong growth in 1988.

LA—Anheuser-Busch, Inc.'s reduced alcohol beer was introduced in 1984. The brand provides an alternative to consumers who choose to be more moderate in their consumption of alcoholic beverages.

King Cobra—A naturally brewed malt liquor, King Cobra is available in selected areas of the country.

Anheuser Märzen—After test marketing in New Hampshire, our domestically brewed ultra-premium product was introduced and well received in the St. Louis area.

Carlsberg—The largest-selling brand of beer in Denmark, Carlsberg is brewed by United Breweries, Ltd. and distributed in the U.S. through the Anheuser-Busch wholesaler network. It is currently available in 36 states.

Carlsberg Light—A light version of Carlsberg, Carlsberg Light offers European taste with reduced calories.

Elephant Malt Liquor—Also brewed by United Breweries, Ltd., Elephant Malt Liquor is distributed by Anheuser-Busch wholesalers in 31 states.

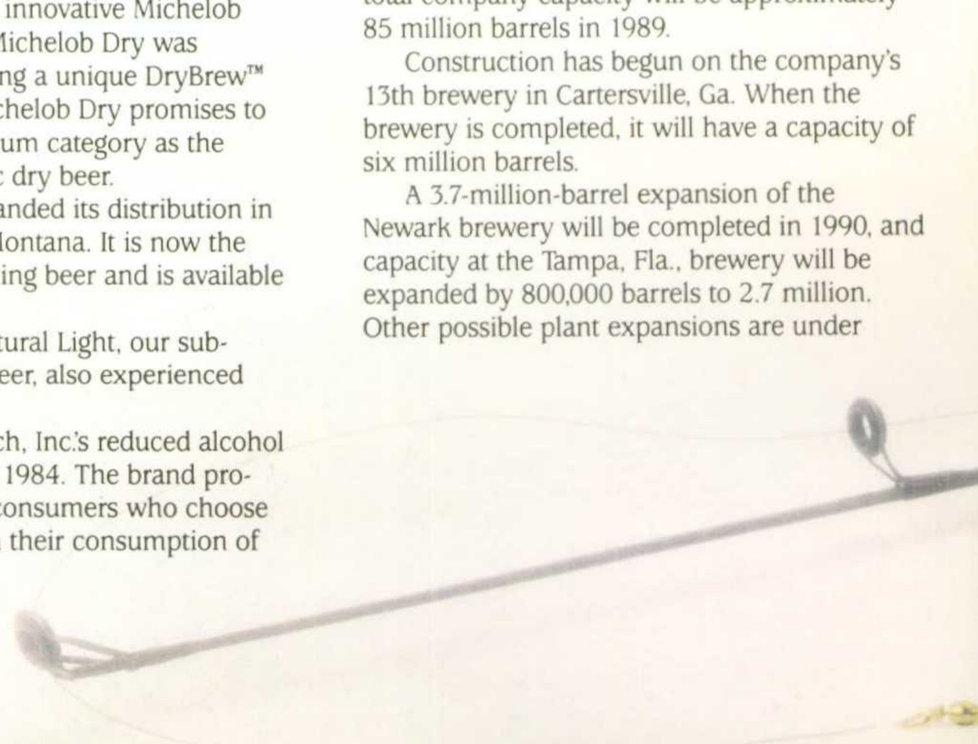
Anheuser-Busch, Inc. also markets Master Cellars draft wines. These California wines are sold on draft as a house wine to restaurants and lounges.

Expansion/Modernization

Anheuser-Busch continued its strong capacity expansion and modernization program in 1988. Construction of the company's 12th brewery in Fort Collins, Colo., was completed, and the brewery came on stream in early 1988. A 600,000-barrel capacity expansion is planned for that brewery in 1989. With this expansion, total company capacity will be approximately 85 million barrels in 1989.

Construction has begun on the company's 13th brewery in Cartersville, Ga. When the brewery is completed, it will have a capacity of six million barrels.

A 3.7-million-barrel expansion of the Newark brewery will be completed in 1990, and capacity at the Tampa, Fla., brewery will be expanded by 800,000 barrels to 2.7 million. Other possible plant expansions are under



review. Modernizations at the St. Louis packaging plant and the Newark and Columbus breweries are also nearing completion. An extensive modernization of the St. Louis brewing facility is also under way. These modernization programs will add brewing and packaging capacity while reducing costs through improved efficiencies.

Malt Production

Anheuser-Busch, Inc. operates two malt plants, in Moorhead, Minn., and Manitowoc, Wis. Together, these plants supply 28% of Anheuser-Busch's malt needs.

Distribution

Anheuser-Busch, Inc. wholesalers and company-owned wholesale operations together provide the industry's most effective distribution system, setting standards of excellence and leadership with sophisticated and innovative operations and programs.

More than 900 independent wholesalerships distribute Anheuser-Busch, Inc. beers throughout the U.S. Anheuser-Busch, Inc. strongly supports the traditional three-tiered distribution system, which it believes is in the best interest of consumers, retailers, distributors and brewers.

Communication is a key strength of Anheuser-Busch, Inc.'s exceptionally strong distribution system. A vital part of the communications effort is the Anheuser-Busch Wholesaler Advisory Panel. The panel offers wholesalers and company management the opportunity to openly communicate about—and act upon—key company and industry issues.

The Wholesale Operations Division of Anheuser-Busch, Inc. operates 10 company-owned distributorships located in Boston, Newark, Louisville, Chicago, New Orleans, Tulsa, Denver and, in California, Sylmar, Riverside and Stockton. This division is responsible for the development of marketing and productivity improvement programs for use by the company's independent wholesalers. The division also serves as a key training ground for future Anheuser-Busch managers. The Wholesale Operations Division contributed to the volume and profits of the company in 1988.

The Anheuser-Busch Investment Capital Corporation, formed in 1984 to share equity positions with qualified partners in Anheuser-Busch, Inc. distributorships, is currently invested in 14 wholesalerships. These investments provide the operating general partners the opportunity to function as independent wholesalers while increasing their equities and building toward total ownership. By providing needed

capital for qualified candidates, the Anheuser-Busch Investment Capital Corporation will continue to play a prominent role in strengthening the brewer-wholesaler team.

Other Promotional Activities

Anheuser-Busch, Inc. supports many philanthropic organizations, including the Muscular Dystrophy Association. As a national sponsor, the company and its wholesalers raised $4.5 million in 1988 for the annual Jerry Lewis Labor Day Telethon.

BUSCH AGRICULTURAL RESOURCES, INC.

(Hop farming, rice milling and other agricultural operations)

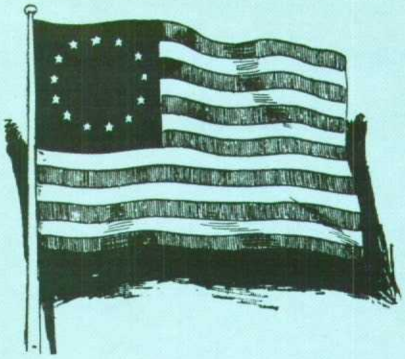
In 1988, Busch Agricultural Resources continued its primary role of supporting Anheuser-Busch, Inc. in the areas of high quality raw materials supply and land application of spent process liquid.

Busch Agricultural's two rice mills, in Woodland, Calif., and Jonesboro, Ark., are capable of producing 50% of the company's brewing rice requirements. The subsidiary also operates six barley elevators in the Midwest and three in the western U.S. These operations allow Busch Agricultural to exercise significant control over raw material quality and variety purity.

Busch Agricultural continued its involvement in the barley seed business at facilities in Powell, Wyo.; Idaho Falls, Idaho; and Moorhead, Minn. These plants support the marketing of new varieties of barley that have been developed at the subsidiary's research center near Fort Collins, Colo. The seeds of these new varieties are marketed under the NutriGold trademark to growers who produce malting barley for beer production.

In 1987, with the establishment of Elk Mountain Hop Farms in northern Idaho, Busch Agricultural entered into the farming of hops for use by Anheuser-Busch, Inc. in brewing. A 585-acre expansion of the hop farm was successfully completed in 1988, and the farm will be expanded to 1,100 acres in 1989. When fully operational, the farm will supply approximately 5% of Anheuser-Busch's hop requirements.

Busch Agricultural also operates Nutri-Turf, Inc. The objective of this operation is to significantly reduce brewery and snack plants' utility expenses through land application of spent process liquid to turf crops. Nutri-Turf operations are located at Jacksonville, Fla.; Fort Collins, Colo.; Robersonville, N.C.; and Fayetteville, Tenn.



Americans have long had a love affair with beer. In fact, it's woven into the very fabric of our country—literally. The flag that flew over Fort McHenry—the sight which inspired Francis Scott Key to write the "Star Spangled Banner"—was sewn in a brewery. In addition, after the battle, Key went to the Fountain Inn, a pub in Baltimore. There, over a mug of beer, he polished up the rough draft of our national anthem. That seemed an appropriate place to work on the composition, since the tune of the "Star Spangled Banner" is taken from an old English drinking song.

METAL CONTAINER CORPORATION

(Can and lid manufacturing)

Metal Container Corporation, the fastest growing metal beverage container manufacturer in the United States, operates can and/or lid plants in Arnold, Mo.; Columbus, Ohio; Carson and Riverside, Calif.; Oklahoma City, Okla.; Gainesville and Jacksonville, Fla.; Windsor, Colo.; and Newburgh, N.Y. In 1988 Metal Container produced nearly eight billion cans and more than 11 billion lids.

In addition to supplying approximately one-third of Anheuser-Busch, Inc.'s container requirements, Metal Container supplies a growing share of the soft drink container market. In 1988 the subsidiary sold about one-third of its production to the soft drink industry. Metal Container has established long-term relationships with several significant soft drink bottlers. Its customers include Wis-Pak, a major Pepsi-Cola bottling cooperative headquartered in Watertown, Wis.; C.O.B.O., a subsidiary of Pepsi-Cola Company; General Bottlers, Inc., a Midwest-based multiple franchise bottler; and Penn-Chesapeake Associates, a multi-location purchasing cooperative in the Mid-Atlantic area.

Three new production facilities became fully operational in 1988. They include:

- A can plant in Windsor, Colo., which will produce more than one billion cans per year for Anheuser-Busch's new Fort Collins, Colo., brewery;
- A lid center in Riverside, Calif., which will produce more than 3.5 billion aluminum lids for Anheuser-Busch's western breweries;
- And a can plant in Newburgh, N.Y., which will produce more than two billion cans per year for Anheuser-Busch's northeastern breweries and for soft drink customers.

Another can plant is currently under construction in Fort Atkinson, Wis. It will begin operating in the second half of 1989 and will have an annual capacity of more than one billion cans.

Metal Container continues to invest in the latest technology to provide the highest quality containers at a low cost to meet the growing demand for aluminum beverage containers.

Today, because of growing environmental concerns, recycling is becoming more popular. But forms of recycling have always been part of the American scene, especially in times of crisis. During World War II, for example, when many goods were in short supply, ration stamps were a way of life and many items were recycled. Collections were held for tin cans, paper and even cooking grease. Old toothpaste tubes had to be turned in when buying new ones. Aluminum, used in aircraft construction, was an especially important item. Aluminum drives were common, and people considered it their patriotic duty to participate. Among the items collected in the nationwide drives were aluminum pots, pans and—the ultimate sacrifice—hair curlers.

CONTAINER RECOVERY CORPORATION

(Recycling)

Container Recovery Corporation (CRC), Anheuser-Busch's aluminum recycling subsidiary, is the leading recycler of aluminum beverage cans in America. In 1988 CRC recycled its one billionth pound of aluminum from its voluntary recycling program.

In 1988 CRC also set a new record by recycling more than 300 million pounds of aluminum, or more than eight billion cans. CRC operations reflect Anheuser-Busch's concern for reducing litter, reclaiming vital raw materials and providing a positive alternative to mandatory deposit legislation.

More than 500 Anheuser-Busch, Inc. wholesalers and other organizations are active in the voluntary recycling program established by CRC, operating centers in 48 states and the District of Columbia.

In response to the California Beverage Container Recycling Act, the company opened a new collection and processing facility in Union City, Calif., in 1988. The plant, which serves the northern California market, is a multi-commodity recycling center, handling glass, paper, plastic and aluminum.

Other CRC processing facilities are located in Marion, Ohio; Nashua, N.H.; and Cocoa, Fla. In addition to processing aluminum cans, the Marion and Nashua facilities sort, inspect, package and ship returnable bottles to the Anheuser-Busch breweries in Columbus, Ohio, and Merrimack, N.H.

ANHEUSER-BUSCH INTERNATIONAL, INC.

(International beer licensing and marketing)

Anheuser-Busch International explores and develops beer markets outside the United States. The world beer market, more than 3.5 times as large as the U.S. market, offers opportunities for sales growth and profits.

Anheuser-Busch International had a good year in 1988, with volume up more than 14% in licensed markets and more than 20% in export markets. Sales were up significantly in the United Kingdom, Ireland and Canada. In the Far East, Budweiser has been successfully introduced in Korea and continues to be license-brewed by Suntory in Japan.

Since the subsidiary was formed in 1981, new export markets have been developed and Budweiser has been license-brewed in seven countries. Additional expansions are planned.

In 1986 a licensed-brewing agreement was signed with Oriental Brewery Co. Ltd. of Seoul,

South Korea. Budweiser was launched in July 1987 and is now produced and distributed in that country. It is Korea's third largest selling brand. In both Korea and Japan, Budweiser has achieved a 50% market share in the international brands category.

Budweiser is also brewed, marketed and distributed in Ireland under a licensed-brewing agreement between Anheuser-Busch and Guinness. Expansion of draft distribution and new package introductions helped to more than double volume and market share in 1988.

In addition, Anheuser-Busch International has a licensed-brewing agreement with United Breweries Ltd. in Denmark, where local production of Budweiser began in 1987.

In Canada, Budweiser continues to be brewed and distributed by Labatt Brewing Company, Limited. In 1988 Budweiser was introduced into the province of Manitoba. Labatt also brews Bud Light. Canadian-brewed Bud Light is available in Quebec, Alberta and Saskatchewan. Labatt continues to import U.S.-brewed Michelob.

Grand Metropolitan Brewing, Ltd., Anheuser-Busch's licensed partner in the United Kingdom, continued to expand its distribution of draft Budweiser. The brand is available in cans throughout the U.K. and is the fastest-growing premium lager in the off-premise sector.

Anheuser-Busch's commitment to quality is evident in all of its international brewing operations. Anheuser-Busch brewmasters travel the world continually, tasting and testing locally produced product to make sure that it meets the company's rigid quality and taste standards. In addition, two Anheuser-Busch brewmasters now reside permanently in Europe in order to ensure that all licensed products brewed there meet Anheuser-Busch's exacting quality standards.

Export Markets

In addition to licensed brewing, Anheuser-Busch continues to increase its worldwide presence by exporting its brands. During 1987 Budweiser was introduced in Taiwan, and in 1988 it became one of the leading premium international brands in that country.

Budweiser is now exported from the U.S. to more than 40 countries.

CAMPBELL TAGGART, INC.

(Bakery products and refrigerated and frozen foods)

Campbell Taggart is a highly diversified, Dallas-based food products company with operations in 35% of the United States and in various international markets.

Bakery Operations

Campbell Taggart's bakery division, which accounts for 66% of the company's sales, saw a number of new product introductions in 1988 which contributed to the subsidiary's improved profitability.

Consumer interest in low-calorie products remains high, and Campbell Taggart continues to develop new products to capitalize on this growth market. The rollout of Rainbo and Colonial light white and wheat breads was completed in all Campbell Taggart markets in 1988, providing the company with a strong entry in the expanding low-calorie segment of the baking industry. Light Wheatberry bread was introduced in 10 markets in late 1988 and will be expanded to additional markets in 1989. Low-calorie dinner rolls were also introduced in 14 markets in time for the holiday season. These rolls have one-third fewer calories than regular brown and serve rolls and are marketed under the Rainbo/Colonial Light labels.

To take advantage of the increasing consumer awareness of the health benefits attributed to lowering cholesterol levels, Campbell Taggart has introduced several oat-based breads under the Grant's Farm and Earth Grains brand names. Earth Grains launched Honey Oat Bran and Honey Oat and Nut bread nationwide in late 1988. The Earth Grains brands also have been expanded to Florida.

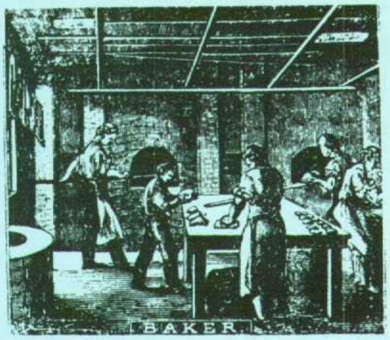
Existing Campbell Taggart products performed well in 1988. Distribution of Grant's Farm bread, which is available in five varieties, was expanded. Grant's Farm Cracked Wheat bread is being tested in one market, and Oat Bran bread and Oatmeal and Toasted Almond bread have been introduced in all Grant's Farm markets.

The Family Recipes line of bread, which was introduced in 1985, is now available in all Campbell Taggart markets in four varieties—Honey-Buttered Split Top White and Split Top Wheat, Wheat and Honey Grain. The breads combine the soft, smooth texture of Colonial, Rainbo and Kilpatrick's breads with natural grain goodness. Family Recipes Cracked Wheat bread is being tested in one market and will be expanded in 1989.

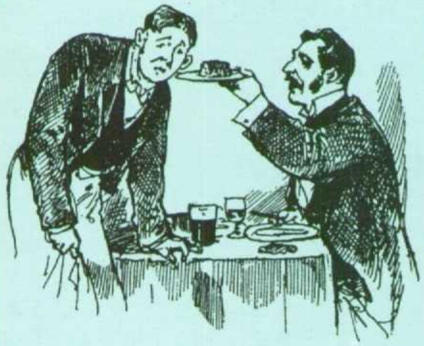
Sandwich croissants and International Hearth bake-and-serve French bread are available in all Campbell Taggart markets, and both products continue to enjoy strong consumer acceptance. Specialty rolls, sandwich buns and other products continue to be sold to commercial customers such as Burger King and Arby's.

The Break Cake product line, which includes more than 60 items such as cupcakes, doughnuts, fruit pies and honey buns, was also expanded in 1988 with the addition of an innovative product called Shake Cake. Shake Cake tastes like an old-fashioned milk shake and is available in three varieties.

The company supports all of its consumer products with advertising and promotion programs. For example, the IronKids fitness program for children 7-14 provides year-round support for Colonial, Rainbo and Kilpatrick's enriched white breads as "The Bread of IronKids." In addition to seven local triathlons for children, the program consists of the Rainbo IronKids Health and Fitness Program, which was mailed to 45,000 physical education teachers across the Campbell Taggart system. The educational kit provides five units of study aimed at establishing sound lifetime fitness and nutrition patterns for students. In addition, the Rainbo IronKids Club currently has 9,000 members in eight markets.



Americans have always liked bread, and they have found ways to make it even under the most trying conditions. In fact, bread may have aided the American cause in the Revolutionary War. During the winter of 1777-1778 at Valley Forge, General Washington's men survived on fire cake—a crude mixture of flour and water charred on a stone. After dining with the rebels under a flag of truce, one British officer is said to have been so impressed by their culinary endurance that, taking it as a sign of perseverance, he resigned his commission and fled home to England. And Christopher Ludwick, Washington's baker-in-chief, was honored after the war with a certificate attesting to his patriotism.



The potato chip is a native American invention—literally. It was created by Chef George Crum, an Indian chief, in Saratoga Springs, N.Y. In 1853 a diner at the Moon Lake House Hotel asked that his potatoes be fried thinner than normal French fries. Chef Crum complied, but the customer was still dissatisfied and sent them back, requesting thinner potatoes. In frustration, Crum sliced potatoes paper thin, dumped them in oil and fried them until they were crispy. To his surprise the diner was elated, and soon others were requesting these "potato crisps." Within a short time the chips became a regular feature on the hotel menu, and commercial production soon followed. Little did Crum realize when he tried to get even with a disgruntled diner that he would start a national craze that is still going strong.

In 1989, seven markets—Dallas, Houston, Atlanta, Nashville, Denver, Sacramento and Phoenix—will host Colonial/Rainbo IronKids triathlons. In-store promotions supported with TV and radio advertising will continue to link Campbell Taggart products with fun, fitness and well-being for America's youth.

Refrigerated Products

Through its Merico subsidiary, Campbell Taggart is the largest manufacturer of private label refrigerated dough products in the U.S., with a one-third share of the refrigerated dough market.

In 1988 Merico introduced French Style Croissants and Fill'n Fold Stuffers (a multi-purpose flaky dough crust to be used with sweet or savory fillings) to its line of specialty dough products. Merico's refrigerated dough line includes biscuits, dinner rolls, sweet rolls, danish, cookies, breads and bread sticks. In 1988 Merico initiated the first phase of a multi-million-dollar manufacturing modernization program for its refrigerated dough plants that will be completed in 1991.

In its food service operation, Merico continued to experience good results with its line of frozen cookie doughs and frozen muffin batters, which were introduced in 1986 and 1987, respectively. Both the cookie dough and muffin batters are available in numerous varieties and are packaged in 18-pound tubs for food service customers. The primary users of these products are restaurants and retail bakeries.

Merico also makes a variety of salad dressings, dips and toppings, as well as creamers and dairy and non-dairy sour cream for food service and retail customers. In 1988, Merico introduced its Slender Choice line of dips and non-dairy sour cream to the retail grocery market. This line of products is cholesterol and lactose free and contains 40% fewer calories than comparable dairy products.

Frozen Foods

In 1987, Campbell Taggart changed the name of its frozen food subsidiary from El Charrito to Eagle Crest Foods in order to better communicate the diversity of its broadening array of frozen food products. El Charrito continues as the brand name for Eagle Crest's frozen Mexican food line.

In 1988, Eagle Crest continued its introduction of the new El Charrito Light line of reduced-calorie entrees. El Charrito Light entrees are available in six varieties and offer the consumer top quality, authentic Mexican dishes with the added benefit of 25-33% fewer calories.

Also in 1988, Eagle Crest Foods introduced its line of Brighton's stuffed potato entrees. The potatoes consist of baked potato filling in a natural russet potato skin and come with a variety of toppings such as broccoli and cheese; ham and cheese; and traditional sour cream and chive.

International

Campbell Taggart's international operations experienced another year of sales growth in 1988. The company's Spanish subsidiary, Bimbo, S.A., maintained its position as the market leader in sales of high quality bakery products.

Much of Bimbo's success has been a result of its modernization program which has increased productivity in its bakery operations and in its route distribution system. Distribution of Eagle Snacks, which began last year, was expanded throughout Spain in 1988. Eagle Snacks are also being test marketed in Paris by Le Pain Turner, Campbell Taggart's French baking subsidiary.

Europate, S.A., which manufactures frozen and refrigerated dough products, expanded its sales and distribution and enjoyed another successful year.

Other

Campbell Taggart's folding carton packaging division, which produces folding cartons for sale to other Campbell Taggart divisions and outside customers, reported good results in 1988 despite a very tight paper supply market.

In 1988, Campbell Taggart sold its majority interest in Old America Stores.

EAGLE SNACKS, INC.

(Premium snack and nut items)

For Eagle Snacks, 1988 was a year of expansion and progress.

New packaging, which was well received throughout Eagle's sales area, contributed to sales growth for the subsidiary. Sales and marketing efforts by Eagle's wholesalers, snack branches and Campbell Taggart bakeries, coupled with advertising support from Eagle's new spokesmen—Tony Randall and Jack Klugman—also contributed to sales gains in existing territories. Eagle continues to maintain its quality image while expanding its consumer base to a wider range of family income levels.

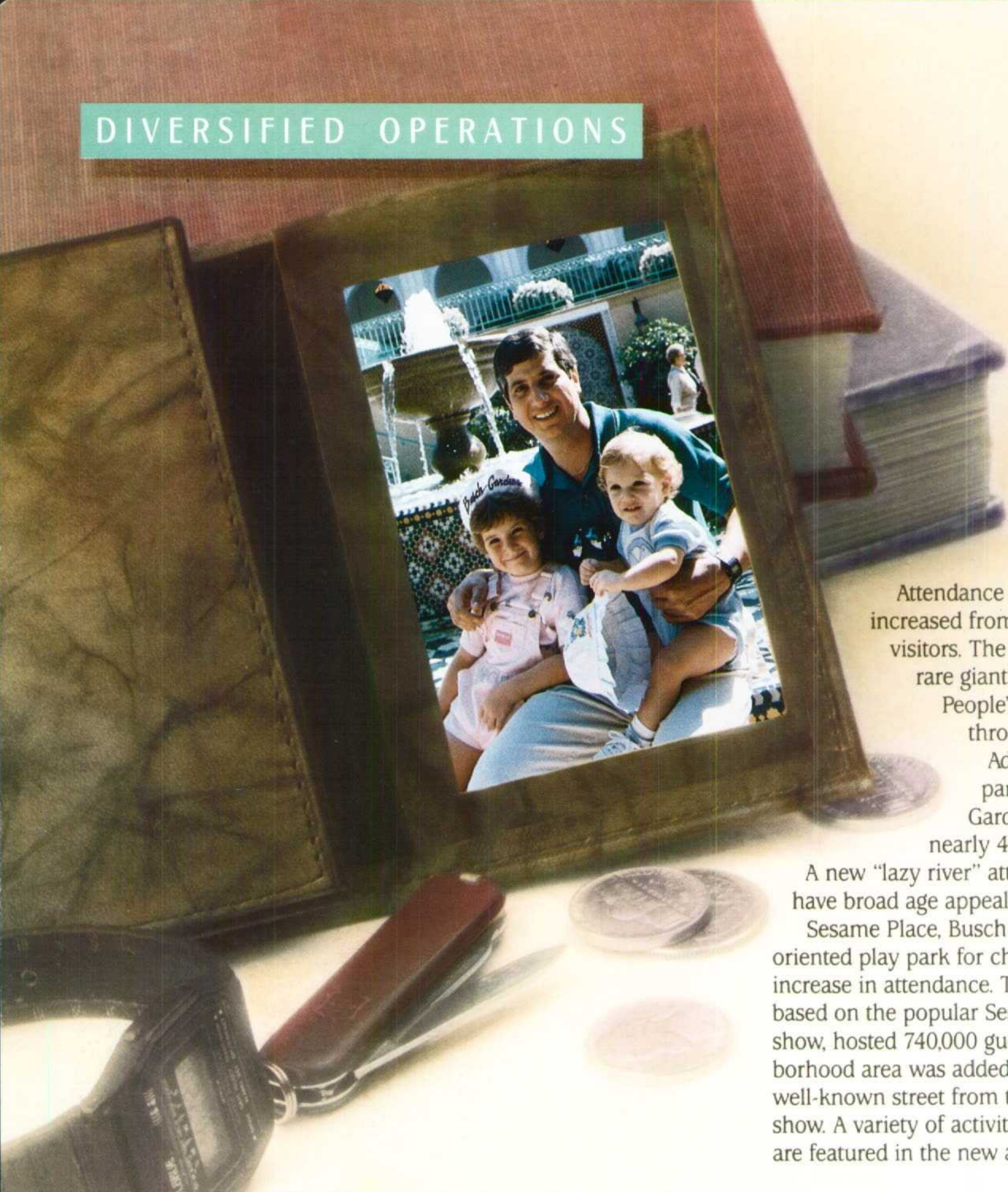
In addition, the Eagle nut line was expanded from its traditional Honey Roast peanuts and cashews to include a wider variety of nut products, including oil roast peanuts, cashews, mixed nuts and cinnamon and maple roast products.

Distribution of Cape Cod potato chips was expanded to most areas east of the Rockies, and Cape Cod popcorn was introduced with significant consumer acceptance in New England and other major markets in the U.S.

Both the Cape Cod and Eagle lines were expanded into West Coast test markets, setting the stage for a California and western U.S. roll-out in 1989.

Eagle Snacks new Visalia, Calif., plant opened in December 1988 in time to support a spring 1989 expansion of Eagle Snacks to the West Coast. West Coast distribution facilities are already in place and currently sell the full line of Eagle nuts.

DIVERSIFIED OPERATIONS



BUSCH ENTERTAINMENT CORPORATION

(Family entertainment)

Busch Entertainment Corporation had an outstanding year in 1988, achieving an increase in attendance of more than 8% and record profits. The company operates Busch Gardens "The Old Country" in Williamsburg, Va., and "The Dark Continent" in Tampa, Fla.; Adventure Island in Tampa, Fla.; and Sesame Place in Philadelphia, Pa.

Attendance at The Old Country increased from 1.9 to 2.1 million visitors. A major white-water raft ride, "Roman Rapids," was successfully introduced.

Attendance at The Dark Continent increased from 3.1 to 3.4 million visitors. The park hosted a pair of rare giant pandas from the People's Republic of China through September 1988.

Adventure Island, a water park adjacent to Busch Gardens in Tampa, hosted nearly 420,000 guests, up 8%. A new "lazy river" attraction designed to have broad age appeal was added.

Sesame Place, Busch Entertainment's action-oriented play park for children, had an 11.5% increase in attendance. The park, which is based on the popular Sesame Street children's show, hosted 740,000 guests. A Sesame Neighborhood area was added which replicates the well-known street from the Sesame Street TV show. A variety of activities and entertainment are featured in the new area.

BUSCH PROPERTIES, INC.

(Real estate development)

Busch Properties' holdings include Kingsmill on the James, a 2,900-acre resort and residential community in Williamsburg, Va. In 1988 Kingsmill enjoyed record sales of lots, townhouses, second homes and commercial sites.

Construction of a 60,000-square-foot, four-level conference center was completed in the spring of 1988. It contains eight meeting rooms equipped with state-of-the-art audiovisual equipment. A dining facility and cocktail lounge overlook the James River and Kingsmill's River Golf Course. Conference guests are lodged in condominiums overlooking the James River, the River Golf Course or the tennis center.

The facility also includes a 23,000-square-foot sports center located near the conference center. The sports center features indoor and outdoor swimming pools, two racquetball courts, a fully equipped health club, a game room and a restaurant.

The annual Anheuser-Busch Golf Classic, a regular PGA Tour event since 1977, was held on Kingsmill's River Golf Course in July.

The office market strengthened in Columbus, Ohio, resulting in an improved performance by the Busch Corporate Center located there. Construction of a new 100,000-square-foot office building has begun and will be completed in the spring of 1989. The Fairfield, Calif., Busch Corporate Center continued to suffer from weak industrial and electronics markets.

BUSCH CREATIVE SERVICES CORPORATION

(Business communication)

Busch Creative Services, Anheuser-Busch's creative marketing communications subsidiary, enjoyed continued success in 1988. It significantly diversified its client base for its major product lines—sales promotion and business meetings. Busch Creative produced award-winning materials and events for Anheuser-Busch Companies and other Fortune 500 corporations.

Innervision Productions, Inc.—Busch Creative's video production and post-production subsidiary—enjoyed a good year. The company, located in St. Louis County, expanded its production capabilities with the rollout of new video programming for the rapidly growing home video market.

Optimus, Inc., the leading Chicago film and video post-production company, had a very good year, posting record sales. Additional capabilities were added in 1988 with the purchase of digital editing and advanced film-to-videotape transfer equipment.

While amusement parks were born in Europe, America adopted them and raised the granddaddy of them all—Coney Island. By the 1870s more than 50,000 people per day visited the island, renowned for its cabarets, beer gardens, melodramas, vaudeville shows, games and, beginning in the 1880s, rides. Coney Island was not only the quintessential amusement park, it also gave birth to another American tradition. One day, on a whim, pie vendor Charles Feltman put a vienna sausage into a kaiser roll and added mustard. He called his invention a "red hot." When a newspaper questioned the contents of the meat used in the sausage, suggesting it could be dog meat, the "hot dog" was officially born. In spite of insinuations, the Coney Island hot dog was very popular. In fact, Babe Ruth once ate two dozen at one sitting.

CIVIC CENTER CORPORATION

(St. Louis real estate)

Civic Center Corporation had a successful year in 1988.

Busch Stadium revenues benefitted from the high attendance at Cardinals' games. In addition, seating capacity at the stadium was increased, 10 new deluxe box suites were constructed and group party facilities were enlarged.

Civic Center also owns four parking garages adjacent to or near the stadium and 2-3/4 downtown city blocks presently used for parking.

Baseball—invented in the United States in the early 1800s—was based on the 17th-century English game "rounders," in which runners were "out" only when they were hit by the ball. In 1845, Alexander Cartwright—the "father" of organized baseball—wrote the rules and started the first baseball club in the U.S., decreeing that runners were "out" when tagged with the ball, not hit. During the Civil War, Union soldiers who knew the game often played for recreation. Other Union troops and Confederate prisoners watched, and after the war took the game home with them to all parts of the country. By the early 1900s baseball had earned the nickname "The National Pastime." Perhaps philosopher Jacques Barzun best summed up the importance of the sport in American life. He wrote, "Whoever wants to know the heart and mind of America had better learn baseball."

ST. LOUIS NATIONAL BASEBALL CLUB, INC.

(Cardinal baseball)

The St. Louis Cardinals, the company's major league baseball subsidiary, continued to be one of baseball's best-drawing teams in 1988 despite a fifth-place finish in the National League's Eastern Division.

After drawing more than three million fans in 1987, the Cardinals attracted 2.9 million spectators in 1988, the fourth highest attendance in baseball and the second highest attendance in club history. The club also boosted its season ticket sales to a record 19,852.

Although the Cardinals were unable to achieve their fourth title of the decade, many individual players enjoyed fine performances during the 1988 season.

ST. LOUIS REFRIGERATOR CAR COMPANY

(Transportation services)

St. Louis Refrigerator Car Company, one of Anheuser-Busch Companies' transportation subsidiaries, provides commercial repair, rebuilding, maintenance and inspection of railroad cars at three facilities in Missouri and Illinois. In 1988, the company completed its 110th year of operation.

Busch Mechanical Services, Inc.—a St. Louis Refrigerator Car subsidiary—operates Busch Transportation Services in Belleville and Fairmont City, Ill., for the repair of highway trailers on a commercial basis.

The company and its subsidiary were profitable in 1988.

MANUFACTURERS RAILWAY COMPANY

(Rail switching/railcar operation/trucking/warehousing)

Manufacturers Railway Company, which was 101 years old in 1988, provides terminal rail switching services to St. Louis industries. It operates a fleet of 255 insulated and cushioned railcars, which are used exclusively for transporting Anheuser-Busch, Inc. beers.

The company also operates hopper cars and boxcars, which are used both by Anheuser-Busch and other shippers.

In addition, Manufacturers Railway subsidiaries furnish trucking and warehouse services at eight Anheuser-Busch brewery locations.

This subsidiary had a profitable year in 1988.

Joint Venture

INTERNATIONAL LABEL COMPANY

(Metalized labels)

International Label Company is a joint venture between Illochroma International, S.A., of Brussels, Belgium, and Metal Label Company, a wholly owned subsidiary of Anheuser-Busch Companies. In 1988, International Label produced more than five billion high-quality metalized labels using "state-of-the-art" vacuum metalizing and rotogravure printing technologies.

A major expansion was recently approved which will significantly expand printing capacity and capabilities. The expansion will provide the opportunity to expand sales in current label business and to develop a new market for the company in unprinted metalized paper.

In addition to providing labels for Anheuser-Busch, International Label also services outside customers in the food, petroleum, household product and beverage industries.

1988 FINANCIAL REVIEW

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From a financial perspective, 1988 was another very successful and record-breaking year for Anheuser-Busch Companies, Inc.

The company achieved record sales and earnings during the year and continued to strengthen its financial position.

Increases in return on equity and capital employed during 1988 were evidence of continued success in the company's business investments.

Anheuser-Busch is well positioned financially to achieve its business goals and objectives.

FINANCIAL REVIEW

Management's Discussion and Analysis of Operations and Financial Condition

This discussion summarizes the significant factors affecting the consolidated operating results and financial condition of Anheuser-Busch Companies, Inc. during the three-year period ended December 31, 1988. Additional information concerning the company's consolidated operating results and financial condition can be found on pages 2-25 of this report.

During 1988, the company adopted the provisions of Statement of Financial Accounting Standards No. 94 (FAS 94), Consolidation of Majority-Owned Subsidiaries. Accordingly, prior year financial information has been restated to reflect the requirements of this statement.

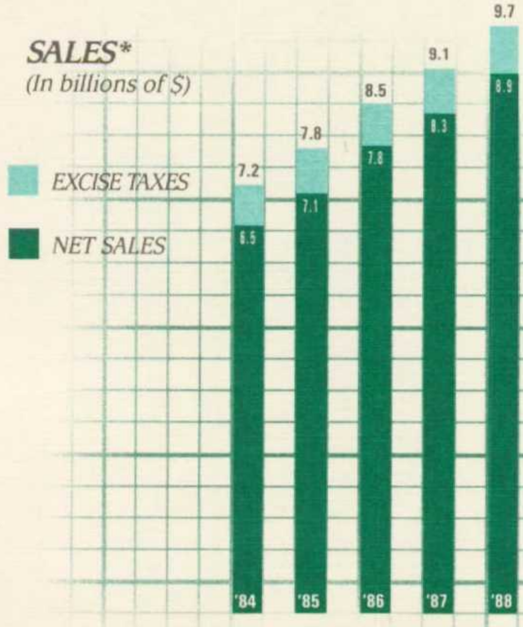
Additionally, during 1988 the company adopted the provisions of Statement of Financial Accounting Standards No. 95 (FAS 95), Statement of Cash Flows, which requires that the Statement of Changes in Financial Position be replaced with a Statement of Cash Flows. The 1987 and 1986 Statements of Changes in Financial Position have been restated to conform to the 1988 presentation.

Finally, the company disposed of Busch Industrial Products (the company's yeast operation) and Old America Stores during 1988. During 1987, the company sold Exploration Cruise Lines. The gains/losses on these dispositions (either individually or in the aggregate) did not have a material impact on the company's consolidated financial statements.

OPERATIONS

Sales

Anheuser-Busch Companies, Inc. achieved record gross sales during 1988 of $9.71 billion, a 6.5% increase over 1987 gross sales of $9.11 billion. Gross sales include federal and state excise taxes of $781.0 million in 1988 and $760.7 million in 1987.



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Net sales were a record $8.92 billion, an increase of $574 million or 6.9% over 1987 net sales of $8.35 billion. Anheuser-Busch, Inc., the company's brewing subsidiary, sold an all-time industry record of 78.5 million barrels of beer in 1988. This represents an increase of 2.4 million barrels or 3.2% over 1987 beer volume sales of 76.1 million barrels and follows volume sales gains of 3.8 million barrels in 1987 and 4.3 million barrels in 1986. The 1987 and 1986 sales volume gains represent increases of 5.2% and 6.3%, respectively. During the same periods, revenue per barrel has increased 2.9%, 1.0% and 1.3%, respectively. During 1988, Anheuser-Busch, Inc. increased its lead over its nearest competitor from 36 million barrels in 1987 to a record 38 million barrels in 1988. Anheuser-Busch, Inc.'s volume sales for 1988 represent approximately 41.1% of total brewing industry sales (including imports), as estimated by the Beer Institute, compared with 39.9% in 1987 and 38.0% in 1986.

The increase in dollar sales over the three-year period reflects the aforementioned increases in beer sales volume and revenue per barrel as well as higher sales by the company's other subsidiaries.

Cost of Products and Services

Cost of products and services for 1988 was $5.83 billion, an 8.4% increase over the $5.37 billion reported in 1987. This increase follows a 6.9% and 6.3% increase in 1987 and 1986, respectively. These increases relate to higher beer sales volume, higher sales of the company's other subsidiaries, 1988 start-up costs associated with the company's new Fort Collins, Colo., brewery and higher 1988 raw material costs resulting from the drought, offset partially by the company's productivity improvement and cost reduction programs. As a percent of net sales, cost of products sold was 65.3% in 1988 as compared to 64.4% in 1987 and 64.8% in 1986.

The company anticipates that raw material costs in 1989 will increase as a result of the 1988 drought. However, the company believes that such cost increases will not materially impact profitability and sufficient materials will be available to enable the company to meet consumer demand.

Marketing, Administrative and Research Expenses

Marketing, administrative and research expenses for 1988 were $1.83 billion, an increase of .4% over 1987. This increase compares to increases of 6.8% for 1987 and 14.1% for 1986. These expenses include approximately $465 million, $455 million and $445 million in 1988, 1987 and 1986, respectively, of selling, delivery and general operating expenses associated with the company's wholesale baking operations and its company-owned beer and snack foods wholesale operations.

Marketing, administrative and research expenses have increased over the past three years as a result of the higher level of sales; continuing development of new products and brands, together with new advertising and marketing programs; the expansion of snack distribution; entering international markets; and diversification into new products. Areas significantly affected by these factors since 1985 include media advertising, point-of-sale materials and developmental expenses associated with new advertising and marketing programs for established products as well as new products; operating expenses of company-owned beer wholesale operations; bakery selling, delivery and general expenses; payroll and related costs; business taxes; depreciation; supplies; and general operating expenses.

Taxes and Payroll Costs

Taxes applicable to 1988 operations (not including the many indirect taxes included in materials and services purchased) totaled $1.42 billion and highlight the burden of taxation on the company and the brewing industry in general. Taxes for 1988 increased $11 million or .8% over 1987 taxes of $1.40 billion. This increase follows increases of 5.5% in 1987 and 12.8% in 1986 and results principally from increased beer excise taxes related to higher sales volumes. The 1987 and 1986 increases were also impacted by higher income taxes (partially offset by lower statutory tax rates) related to the company's increased earnings level.

The Tax Reform Act of 1986 included several provisions which have impacted the company in 1988, 1987 and 1986 and will impact the company in future years. The primary provisions of the Act included repeal of the investment tax credit, the lowering of the statutory federal tax rate to 40% in 1987 and 34% in 1988 and future years, and reduction of the benefits of accelerated tax depreciation on new asset additions. Overall, the tax legislation did not have a significant impact on the company in 1986 and had a positive effect on 1987 and 1988 earnings and cash flow as a result of the lower statutory federal tax rates. The Act will not have a significant effect on the company in future years (as compared to 1988) as the statutory federal tax rates are not scheduled to change.

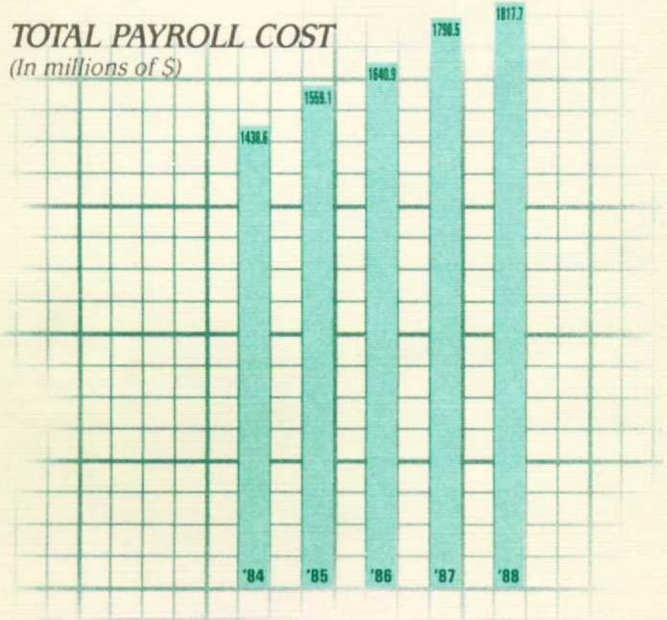
As discussed in Note 1 to the Consolidated Financial Statements, in December 1987 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96 (FAS 96), Accounting for Income Taxes. As of this date, management has not yet made a decision as to when (1989 or 1990) FAS 96 will be adopted or the adoption methodology (restatement or one-time adjustment to earnings) which will be utilized. Had the company adopted FAS 96 in 1988, retained earnings would have increased and deferred income taxes would have decreased by approximately $160 million at December 31, 1988.

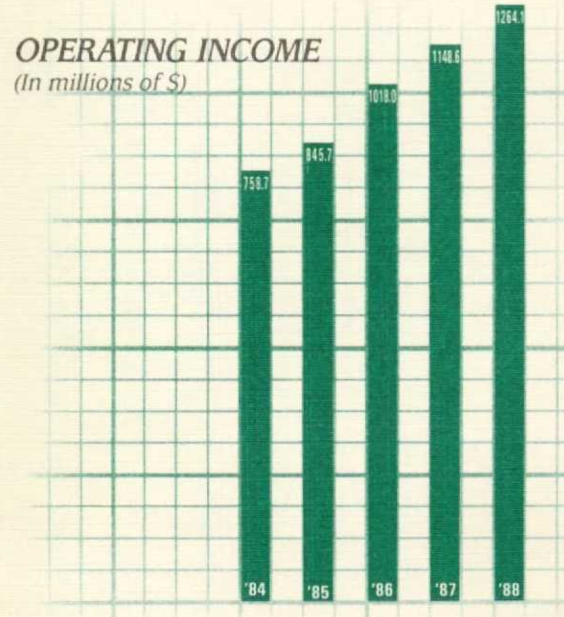
Payroll costs during 1988 totaled $1.82 billion, an increase of $27 million or 1.5% over 1987 payroll costs of $1.79 billion. This increase follows a 9.2% increase in payroll cost in 1987 over 1986 and a 5.2% increase in payroll cost in 1986 over 1985. The increase in payroll costs reflects the effect of normal increases in salary and wage rates and benefit costs.

Salaries and wages paid during 1988 totaled $1.51 billion. Pension, life insurance and welfare benefits amounted to $177 million and payroll taxes were $129 million. Employment at December 31, 1988 was 41,118 compared to 42,011 at December 31, 1987.

Operating Income

Operating income, the measure of the company's operating performance before interest costs and other expenses, was $1.26 billion in 1988, a $115.5 million increase or 10.1% over 1987. Operating income as a percent of net sales was 14.2% in 1988 as compared to 13.8% in 1987 and 13.1% in 1986.





Net Interest Cost/Interest Capitalized

Net interest cost, or interest expense less interest income, before capitalization of interest, was \$131.8 million in 1988, an increase of \$17.1 million when compared to 1987 net interest cost of \$114.7 million. The increase in net interest cost in 1988 as compared to 1987 is due primarily to the issuance during 1988 and 1987 of medium-term and long-term debt as well as a lower level of interest income. Specific information regarding the debt activity of the company is presented in the Liquidity and Capital Resources section of this discussion.

The increase of \$24.4 million in 1987 net interest cost as compared to 1986 net interest cost primarily resulted from debt issuances partially offset by a higher level of interest income.

Interest capitalized increased \$3.9 million in 1988 as compared to 1987. The increase resulted from a higher level of qualified expenditures and a higher average capitalization rate due to the issuance of higher interest rate debt in 1988. Interest capitalized increased \$7.1 million in 1987 as compared to 1986. The increase resulted from a higher level of qualified expenditures partially offset by a lower average capitalization rate due to the issuance during 1987 of lower interest rate debt.

Net Income

Net income for 1988 was \$715.9 million, an increase of 16.5% compared with \$614.7 million for 1987. Earnings per share of common stock for 1988 were \$2.45, an increase of 20.1% compared with \$2.04 for 1987.

Net income for 1987 represented an increase of 18.7% over 1986 net income of \$518.0 million. Earnings per share in 1987 were \$2.04, an increase of 20.7% compared to the \$1.69 per share earned in 1986.

The effective tax rate was 38.3% in 1988, 42.2% in 1987 and 45.3% in 1986. The decrease in the effective tax rates is primarily due to the lower federal statutory rates resulting from the Tax Reform Act of 1986.

FINANCIAL POSITION

Liquidity and Capital Resources

The company's primary sources of liquidity are cash provided from operations and external debt. Information on the company's cash flow for the past three years is set forth in the Consolidated Statement of Cash Flows on page 38 of this report.

Working capital at December 31, 1988 was \$15.2 million as compared to 1987 working capital of \$75.8 million. The working capital ratio was 1.0 to 1 at December 31, 1988 and 1.1 to 1 at December 31, 1987.

During 1988 and 1987, the company issued the following long-term and medium-term debt:

• \$100 million, 9-1/8% Eurodollar Notes due 1992—issued in August 1988.

• \$200 million, 10% sinking fund debentures due July 1, 2018—issued in July 1988.

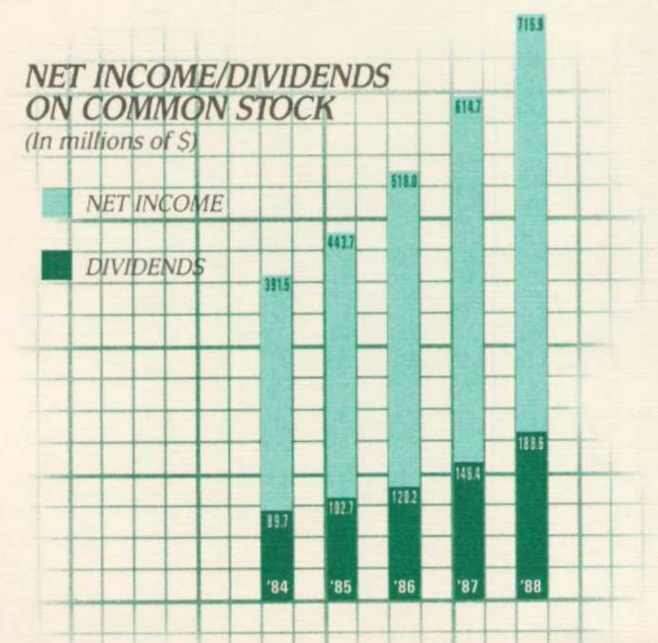
• \$59 million medium-term notes due 1989 to 1991 (interest rates from 7.5% to 8.2%)—issued during the first quarter 1988.

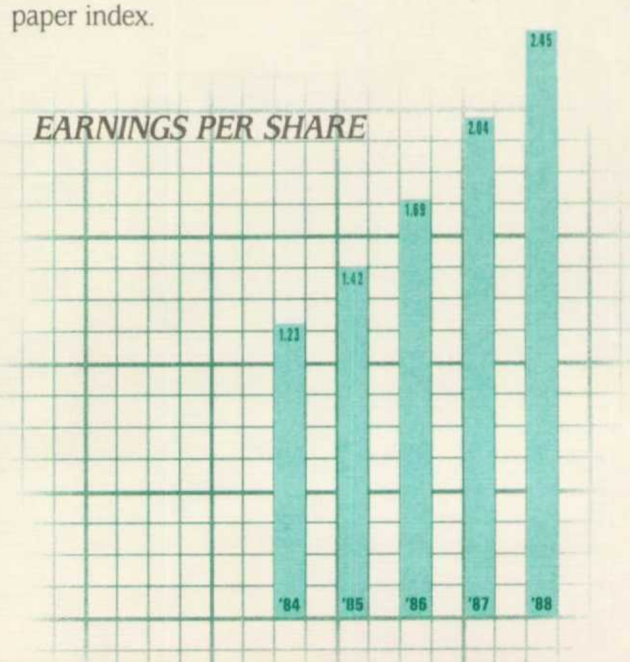
• \$16 million medium-term notes due 1989 to 1990 (interest rates from 8.2% to 8.5%)—issued during the fourth quarter 1987.

• \$100 million, 8-7/8% notes due September 1, 1994—issued in August 1987.

• \$150 million, 8-1/2% sinking fund debentures due 2017—issued in March 1987.

• 75 million Australian Dollar Notes due 1990—issued in January 1987. These notes provided the company with U.S. \$49.1 million and will create a U.S. \$49.1 million debt at maturity. The company also entered into an agreement which results in the company incurring a floating interest rate on this debt based on the AA 30-day commercial paper index.





During 1988 the company retired the following long-term debt issues:

• $79.9 million, 11-7/8% Sinking Fund Debentures—retired in April 1988.

• $50 million, 15-3/8% notes—retired in May 1988.

No debt issues were retired during 1987.

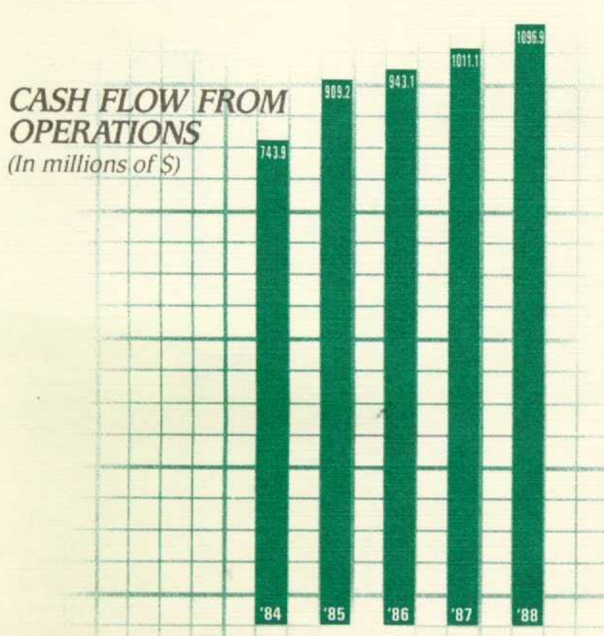
The company has fully hedged its foreign currency exposure for interest and principal payments on its debt through agreements with various lending institutions.

In 1988, the company filed two shelf registrations with the Securities and Exchange Commission for $500 million of debt securities. As of December 31, 1988, $425 million remained available for issuance under shelf registration statements.

During the next five years, the company plans to continue its extensive capital expenditure program designed to take advantage of growth opportunities for its beer, food products and other businesses. Cash flow from operations will provide the principal source of liquidity to support these capital investments. However, a capital expenditure program of this magnitude may require external financing from time-to-time. The nature and timing of external financing will vary depending upon the company's evaluation of existing market conditions and other economic factors.

In addition to its long-term debt financing, the company has access to the short-term capital market utilizing its bank credit agreements and commercial paper to finance short-term working capital requirements and as a bridge to permanent financing of capital investments. The company has formal bank credit agreements which provide for maximum borrowing of $500 million. These agreements, the details of which are discussed in Note 3 to the Consolidated Financial Statements, provide the company with immediate and continuing sources of liquidity.

The company's ratio of total debt to total debt plus equity was 34.2%, 33.0% and 31.6% at December 31, 1988, 1987 and 1986, respectively. This percentage has been calculated by including convertible redeemable preferred stock as part of equity in 1986 because it was convertible into common stock and traded primarily on its equity characteristics. On November 2, 1987, the company called for redemption all of the outstanding convertible redeemable preferred shares. Substantially all shareholders converted their preferred stock into shares of common stock in lieu of receiving cash, resulting in the issuance of 27.9 million shares of common stock.



Capital Expenditures

The company has a formalized and intensive review procedure for all capital expenditures. The most important measure of acceptability of a capital project is its projected discounted cash flow return on investment.

Capital expenditures in 1988 amounted to $950.5 million as compared with $841.8 million in 1987. During the past five years, capital expenditures totaled $3.7 billion.

Capital expenditures for 1988 for the company's beer and beer-related operations were $785.4 million. Major expenditures by the company's brewing subsidiary included completion of construction of the Fort Collins, Colo., brewery, initiation of construction of the company's new brewery in Cartersville, Ga., and numerous modernization projects designed to improve productivity at all breweries. Major capital investments were made by Metal Container Corporation for the construction of new can plants in Newburgh, N.Y., and Fort Atkinson, Wis.

The remaining 1988 capital expenditures totaling $165.1 million were made by the company's food products and diversified operations. Major expenditures include numerous Campbell Taggart and Eagle Snacks modernization and productivity improvement projects, as well as new Busch Entertainment attractions.

The company expects its capital expenditures in 1989 to approximate $950 million. Capital expenditures during the five year period 1989-1993 are expected to exceed $4.0 billion.

Dividends

Cash dividends paid to common shareholders were $188.6 million in 1988 and $148.4 million in 1987. Dividends on common stock are paid in the months of March, June, September and December of each year. In the second quarter of 1988, effective with the September dividend, the Board of Directors increased the quarterly dividend rate by 20%, from $.15 to $.18 per share. Annual dividends per common share increased 22.2% in 1988 to $.66 per share compared to $.54 per share in 1987. In 1988, dividends were $.15 for each of the first two quarters and $.18 for the last two quarters, as compared to $.12 for the first two quarters and $.15 for the last two quarters of 1987.

The company has paid dividends in each of the past 56 years. During that time, company stock has split on

seven different occasions and stock dividends were paid three times.

In 1987, the preferred stock had a dividend rate of $3.23 per share and cash dividends were paid in the months of March, June, September and upon redemption of the preferred stock in November.

At December 31, 1988, common shareholders of record numbered 72,967 compared with 64,343 at the end of 1987.

Price Range of Common Stock

The company's common stock is listed on the New York Stock Exchange (NYSE) under the symbol "BUD". The table below summarizes the high and low closing prices on the NYSE.

The closing price of the company's common stock at December 31, 1988 and 1987 was $31-1/2 and $33-3/8, respectively.

Common Stock and Other Shareholders Equity

Shareholders equity was $3.10 billion at December 31, 1988, as compared with $2.89 billion at December 31, 1987. The increase in 1988 represents the retention of $527.3 million of earnings in the business and the effect of treasury share repurchases. The book value of each common share of stock at December 31, 1988 was $10.95 as compared to $9.87 at December 31, 1987.

In 1988, the return on average shareholder equity was 23.9% as compared with 22.4% in 1987.

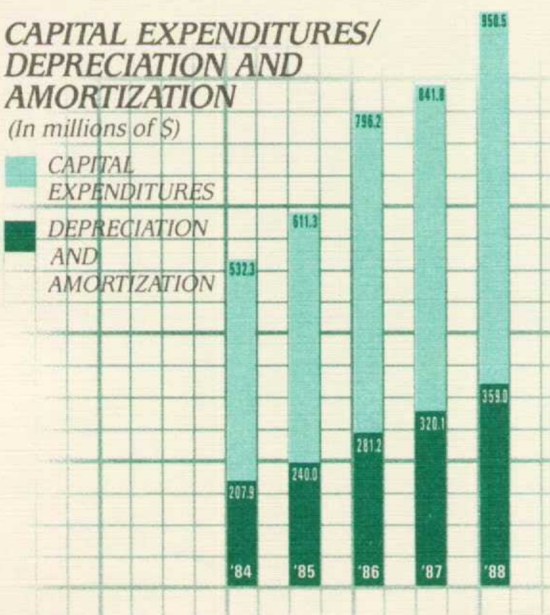
The Board of Directors has approved various resolutions in recent years authorizing the company to purchase shares of its common stock to meet the requirements of the company's various stock purchase and savings plans and to meet the requirements for the conversion to common stock of preferred stock issued in connection with the acquisition of Campbell Taggart. The company has acquired 13,671,800, 7,477,866 and 10,170,834 shares of common stock in 1988, 1987 and 1986 for $416.9, $234.7 and $258.9 million, respectively. At December 31, 1988, approximately 12 million shares were available for repurchase under existing Board of Director resolutions.

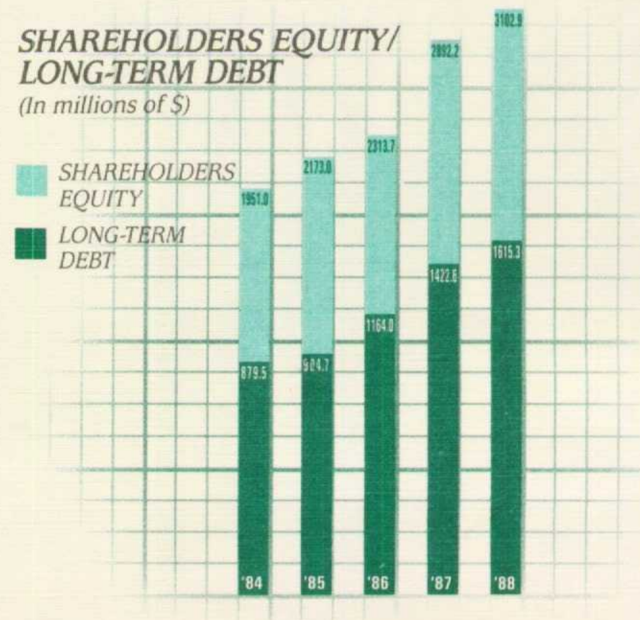
Inflation

General inflation has not had a significant impact on the company over the past three years nor is it expected to have a significant impact in the foreseeable future. Comments concerning increases in the company's raw material costs as a result of the 1988 drought are contained under the Cost of Products and Services caption of this discussion.

PRICE RANGE OF COMMON STOCK

	1988		*1987*	
Quarter	*High*	*Low*	*High*	*Low*
First	33-3/8	30-1/8	36-3/8	26-3/8
Second	32-1/2	29-5/8	36-1/8	30-1/8
Third	33-1/8	29-1/8	39-3/4	33-7/8
Fourth	34-1/8	30	38-5/8	26-1/2





Responsibility for Financial Statements

The management of Anheuser-Busch Companies, Inc. is responsible for the financial statements and other information included in this annual report. Management has selected those generally accepted accounting principles it considers appropriate to prepare the financial statements and other data contained herein.

The company maintains accounting and reporting systems, supported by an internal accounting control system, which management believes are adequate to provide reasonable assurances that assets are safeguarded against loss from unauthorized use or disposition and financial records are reliable for preparing financial statements. During 1988, the company's internal auditors, in conjunction with Price Waterhouse, its independent accountants, performed a comprehensive review of the adequacy of the company's internal accounting control system. Based on the comprehensive review, it is management's opinion that the company has an effective system of internal accounting control.

The Audit Committee of the Board of Directors, which consists of seven non-management directors, oversees the company's financial reporting and internal control systems, recommends selection of the company's public accountants and meets with the public accountants and internal auditors to review the overall scope and specific plans for their respective audits. The Committee held four meetings during 1988. A more complete description of the functions performed by the Audit Committee can be found in the company's Proxy Statement.

The report of Price Waterhouse on its examinations of the consolidated financial statements of the company appears below.

Report of Independent Accountants

Price Waterhouse

One Boatmen's Plaza
St. Louis, MO 63101

February 6, 1989

To the Shareholders and
Board of Directors of
Anheuser-Busch Companies, Inc.

In our opinion, the accompanying Consolidated Balance Sheet and the related Consolidated Statements of Income, Changes in Shareholders Equity and Cash Flows present fairly, in all material respects, the financial position of Anheuser-Busch Companies, Inc. and its subsidiaries at December 31, 1988 and 1987, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1988, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Consolidated Balance Sheet

Anheuser-Busch Companies, Inc., and Subsidiaries

Assets *(In millions)*

December 31,	*1988*	*1987*
Current Assets:		
Cash and marketable securities	$ 63.9	$ 105.4
Accounts and notes receivable, less allowance for doubtful accounts of $4.1 in 1988 and $3.8 in 1987	463.1	395.7
Inventories—		
Raw materials and supplies	344.6	305.0
Work in process	84.7	85.7
Finished goods	82.9	67.7
Total inventories	512.2	458.4
Other current assets	155.1	185.1
Total current assets	1,194.3	1,144.6
Investments And Other Assets:		
Investments in and advances to affiliated companies	82.3	77.0
Investment properties	34.9	13.9
Deferred charges and other non-current assets	225.7	197.1
Excess of cost over net assets of acquired businesses, net	104.9	120.5
	447.8	408.5
Plant And Equipment:		
Land	126.6	121.1
Buildings	2,085.1	1,871.3
Machinery and equipment	4,715.0	4,185.0
Construction in progress	716.3	744.4
	7,643.0	6,921.8
Less accumulated depreciation	2,175.3	1,927.0
	5,467.7	4,994.8
	$7,109.8	$6,547.9

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 39-47 of this report.

Liabilities and Shareholders Equity *(In millions)*

December 31,	*1988*	*1987*
Current Liabilities:		
Accounts payable	$ 568.7	$ 541.0
Accrued salaries, wages and benefits	229.4	197.4
Accrued interest payable	49.5	39.7
Due to customers for returnable containers	40.7	38.4
Accrued taxes, other than income taxes	60.1	62.7
Estimated income taxes	75.2	57.2
Other current liabilities	155.5	132.4
Total current liabilities	1,179.1	1,068.8
Long-Term Debt	1,615.3	1,422.6
Deferred Income Taxes	1,212.5	1,164.3
Common Stock And Other Shareholders Equity:		
Common stock, $1.00 par value, authorized 400,000,000 shares	331.0	326.9
Capital in excess of par value	428.5	332.4
Retained earnings	3,444.9	2,917.6
Foreign currency translation adjustment	10.9	10.8
	4,215.3	3,587.7
Less cost of treasury stock	1,112.4	695.5
	3,102.9	2,892.2
Commitments And Contingencies	—	—
	$7,109.8	$6,547.9

Consolidated Statement of Income

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions, except per share data)

Year Ended December 31,	*1988*	*1987*	*1986*
Sales	$9,705.1	$9,110.4	$8,478.8
Less federal and state excise taxes	781.0	760.7	724.5
Net sales	8,924.1	8,349.7	7,754.3
Cost of products and services	5,825.5	5,374.3	5,026.5
Gross profit	3,098.6	2,975.4	2,727.8
Marketing, administrative and research expenses	1,834.5	1,826.8	1,709.8
Operating income	1,264.1	1,148.6	1,018.0
Other income and expenses:			
Interest expense	(141.6)	(127.5)	(99.9)
Interest capitalized	44.2	40.3	33.2
Interest income	9.8	12.8	9.6
Other expense, net	(16.4)	(9.9)	(13.6)
Income before income taxes	1,160.1	1,064.3	947.3
Provision for income taxes:			
Current	397.2	368.4	296.6
Deferred	47.0	81.2	132.7
	444.2	449.6	429.3
Net Income	$ 715.9	$ 614.7	$ 518.0
Earnings Per Share	$ 2.45	$ 2.04	$ 1.69

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 39-47 of this report.

Consolidated Statement of Changes in Shareholders Equity

Anheuser-Busch Companies, Inc., and Subsidiaries

Shareholders Equity *(In millions, except per share data)*

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Foreign Currency Translation Adjustment	Convertible Redeemable Preferred Stock
Balance At December 31, 1985	$146.6	$ 90.4	$2,142.3	$ (201.9)	$ (4.4)	$287.6
Net income			518.0			
Cash dividends:						
Common ($.44 per share)			(120.2)			
Preferred ($3.60 per share)			(26.9)			
Shares issued under stock option plans and conversion of preferred stock	1.3	23.1				(1.7)
Two-for-one stock split	147.4	(107.4)	(40.0)			
Accretion of preferred stock			(1.0)			1.0
Treasury stock acquired				(258.9)		
Foreign currency translation adjustment					5.3	
Balance At December 31, 1986	295.3	6.1	2,472.2	(460.8)	.9	286.9
Net income			614.7			
Cash dividends:						
Common ($.54 per share)			(148.4)			
Preferred ($3.23 per share)			(20.1)			
Shares issued under stock plans and conversion of preferred stock	3.7	69.2				(2.7)
Redemption of preferred stock	27.9	257.1				(285.0)
Accretion of preferred stock			(.8)			.8
Treasury stock acquired				(234.7)		
Foreign currency translation adjustment					9.9	
Balance At December 31, 1987	326.9	332.4	2,917.6	(695.5)	10.8	—
Net income			715.9			
Common dividends ($.66 per share)			(188.6)			
Shares issued under stock plans	4.1	96.1				
Treasury stock acquired				(416.9)		
Foreign currency translation adjustment					.1	
Balance At December 31, 1988	$331.0	$428.5	$3,444.9	$(1,112.4)	$10.9	$ —

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 39-47 of this report.

Consolidated Statement of Cash Flows

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions)

Year Ended December 31,	*1988*	*1987*	*1986*
Cash Flow From Operating Activities:			
Net income	$ 715.9	$ 614.7	$ 518.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	359.0	320.1	281.2
Increase in deferred income taxes	48.2	70.3	129.3
Decrease/(increase) in non-cash working capital	19.3	(9.4)	(14.5)
Other, net	(45.5)	15.4	29.1
Cash provided by operating activities	1,096.9	1,011.1	943.1
Cash Flow From Investing Activities:			
Capital expenditures	(950.5)	(841.8)	(796.2)
Sale of businesses	137.2	—	—
Business acquisitions	(12.3)	(24.9)	(158.5)
Cash used for investing activities	(825.6)	(866.7)	(954.7)
Cash Flow From Financing Activities:			
Increase/(decrease) in short-term debt	(.2)	(33.8)	34.7
Increase in long-term debt	346.6	328.5	374.5
Decrease in long-term debt	(153.9)	(70.0)	(113.7)
Dividends paid to stockholders	(188.6)	(168.4)	(147.1)
Acquisition of treasury stock	(416.9)	(234.7)	(258.9)
Shares issued under stock plans	100.2	70.2	22.7
Cash used for financing activities	(312.8)	(108.2)	(87.8)
Net increase/(decrease) in cash and marketable securities during the year	(41.5)	36.2	(99.4)
Cash and marketable securities at beginning of year	105.4	69.2	168.6
Cash and marketable securities at end of year	$ 63.9	$ 105.4	$ 69.2

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 39-47 of this report.

Notes to Consolidated Financial Statements

1 *Summary Of Significant Accounting Principles And Policies*

This summary of significant accounting principles and policies of Anheuser-Busch Companies, Inc. and its subsidiaries is presented to assist the reader in evaluating the company's financial statements included in this report. These principles and policies conform to generally accepted accounting principles.

Principles Of Consolidation

The consolidated financial statements include the company and all its subsidiaries. All significant intercompany transactions have been eliminated.

During 1988, the company adopted the provisions of Statement of Financial Accounting Standards No. 94, "Consolidation of Majority-Owned Subsidiaries." Accordingly, prior year financial information has been restated to reflect the requirements of this statement.

Foreign Currency Translation

Exchange adjustments resulting from foreign currency transactions generally are recognized in income, whereas adjustments resulting from translations of financial statements are reflected as a separate component of shareholders equity.

Excess Of Cost Over Net Assets Of Acquired Businesses

The excess of the cost over the net assets of acquired businesses is being amortized on a straight-line basis over a period of forty years. Accumulated amortization at December 31, 1988 and 1987 was $17.0 million and $13.7 million, respectively.

Inventories And Production Costs

Inventories are valued at the lower of cost or market. Cost is determined under the last-in, first-out method for substantially all brewing inventories and under the first-in, first-out method for substantially all food product inventories.

Plant And Equipment

Plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets (buildings 2% to 10% and machinery and equipment 4% to 25%).

Capitalization Of Interest

Interest relating to the cost of acquiring certain fixed assets is capitalized. This interest is included as part of the cost of the related asset and is amortized over its estimated useful life.

Income Taxes

The provision for income taxes is based on elements of income and expense as reported in the Consolidated Statement of Income. The company has elected to utilize certain provisions of federal income tax laws and regulations to reduce current taxes payable. Deferred income taxes are recognized for the effect of differences between financial and tax reporting.

In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," which requires the use of an asset and liability approach in accounting for the effects of income taxes that result from activities during the current and preceding years. Adoption of the statement (which is required by 1990) can be made by either restating previously issued financial statements or by recording a one-time adjustment to earnings. Had the company adopted this statement in 1988, retained earnings would have increased and deferred income taxes would have decreased by approximately $160 million at December 31, 1988.

Research And Development, Advertising, Promotional Costs And Initial Plant Costs

Research and development, advertising, promotional costs and initial plant costs are charged against income in the year in which these costs are incurred.

Earnings Per Share

Earnings per share of common stock are based on the weighted average number of shares of common stock outstanding during the respective years (292.2 million in 1988, 301.5 million in 1987 and 306.6 million in 1986). As more fully described in Note 9, the company called for redemption all of the outstanding shares of its convertible redeemable preferred stock in 1987. The convertible redeemable preferred shares were common stock equivalents; accordingly, these shares were assumed to have been converted into common stock at the date of their issuance and have been included in the weighted average shares outstanding for earnings per share computation purposes.

2 *Inventory Valuation*

Approximately 73% and 72% of total inventories at December 31, 1988 and 1987, respectively, are stated on the last-in, first-out (LIFO) inventory valuation method. Had average-cost (which approximates replacement cost) been used with respect to such items at December 31, 1988 and 1987, total inventories would have been $112.4 million and $77.1 million higher, respectively.

3 *Credit Agreements*

The company has in place revolving credit agreements totaling $500 million. The agreements, which expire in 1993, provide that the company may select among various loan arrangements with differing maturities and among a variety of interest rates, including a negotiated rate. At December 31, 1988 and 1987, the company had no outstanding borrowings under these agreements. Fees under these agreements amounted to $.8 million in 1988, $1.2 million in 1987 and $1.1 million in 1986.

4 *Long-Term Debt*

Long-term debt at December 31 consisted of the following (in millions):

	1988	*1987*
Medium-term Notes Due 1990 to 1991		
(interest from 7.5% to 8.5%)	$ 60.0	$ 16.0
14% Australian Dollar Notes Due February 4, 1990		
(interest a function of the AA 30-day commercial paper index)	48.9	49.1
6% Dual Currency Swiss Franc Bonds Due 1991/1994	105.5	103.5
15-3/8% Notes Due 1991	—	50.0
9-1/8% Notes Due 1992	100.0	—
11-1/8% Notes Due 1993	100.0	100.0
8-7/8% Notes Due September 1, 1994	100.0	100.0
8.0% Dual Currency Japanese Yen/U.S. Dollar Notes Due 1995	51.0	50.4
8% Notes Due October 1, 1996	100.0	100.0
Sinking fund debentures	783.7	680.4
Industrial revenue bonds	94.6	94.6
Other long-term debt	71.6	78.6
	$1,615.3	$1,422.6

The company's sinking fund debentures at December 31 are as follows (in millions):

	1988	*1987*
5.45% debentures maturing 1984 to 1991	$ 5.4	$ 7.6
6% debentures maturing 1984 to 1992	12.2	12.2
7.95% debentures maturing 1985 to 1999	70.8	74.0
9.20% debentures maturing 1986 to 2005	128.4	135.6
8.55% debentures maturing 1989 to 2008	99.9	100.0
11-7/8% debentures maturing 1993 to 2012	—	100.0
8-5/8% debentures maturing 1997 to 2016	150.0	150.0
8-1/2% debentures maturing 1998 to 2017	150.0	150.0
10% debentures maturing 1999 to 2018	200.0	—
Less: debentures held in treasury	(33.0)	(49.0)
	$783.7	$680.4

In 1988, the company filed two shelf registration statements with the Securities and Exchange Commission covering up to $500 million of debt securities to be issued from time to time. As of December 31, 1988, $425 million of debt remained available for issuance under shelf registration statements.

Certain foreign currency denominated debt of the company was issued at a premium or discount from the redemption value or subsequently converted into a U.S. dollar liability resulting in effective interest rates different than the stated rates. For the dual currency Swiss Franc and Japanese Yen issues, these agreements result in a weighted average effective U.S. dollar rate of 8.8% as compared to a weighted average stated rate of 6.6%. The company has fully hedged its foreign currency exposure for interest and principal payments related to all foreign currency denominated debt issues through agreements with various lending institutions.

The aggregate maturities on all long-term debt are $29.7, $122.9, $134.8, $130.4 and $126.7 million, respectively, for each of the years ending December 31, 1989 through 1993.

5 *Stock Option Plans*

The company has an Incentive Stock Option/Non-Qualified Stock Option Plan and a Non-Qualified Stock Option Plan for certain officers and key employees. Under the terms of the plans, options may be granted at not less than the fair market value of the shares at the date of grant. The Non-Qualified Stock Option Plan provides that optionees may be granted Stock Appreciation Rights (SARs) in tandem with stock options. The exercise of a SAR cancels the related option and the exercise of an option cancels the related SAR. At December 31, 1988 and 1987, a total of 18,808,881 and 22,207,465 shares, respectively, were reserved for possible future issuance under the plans.

Presented below is the summary of activity for the plans for the year ended December 31:

	1988	*1987*
Options outstanding at beginning of the year	12,886,058	14,618,006
Options granted during the year	3,453,791	1,539,142
Options exercised during the year	(3,690,532)	(2,714,404)
Options cancelled during the year	(232,221)	(556,686)
Options outstanding at end of the year	12,417,096	12,886,058
Options exercisable at end of the year	8,103,597	8,831,309
Option price range per share	$6.80-$37.69	$6.80-$37.69

The plans provide for acceleration of exercisability of the options upon the occurrence of certain events relating to a change of control, merger, sale of assets or liquidation of the company (Acceleration Events). The Non-Qualified Plan also provides that optionees may be granted Limited Stock Appreciation Rights (LSARs). LSARs become exercisable, in lieu of the option or SAR, upon the occurrence, six months following the date of grant, of an Acceleration Event and entitle the holder to a cash payment per share equivalent to the excess of the share value (under terms of the LSAR) over the grant price. As of December 31, 1988 and 1987, there were 1,835,919 and 2,522,514, respectively, of LSARs outstanding.

6 *Retirement Benefits*

The company has pension plans covering substantially all of its employees. Total pension expense for each of the three years ended December 31 is presented below (in millions):

	1988	*1987*	*1986*
Single-employer Defined Benefit Plans	$ (8.1)	$(15.6)	$(13.0)
Multi-employer Plans	40.4	39.7	39.2
Defined Contribution Plans	8.1	7.5	6.0
	$ 40.4	$ 31.6	$ 32.2

Net pension benefit for single-employer defined benefit plans was comprised of the following for the year ended December 31 (in millions):

	1988	*1987*	*1986*
Service cost (benefits earned during the period)	$ 27.5	$ 21.6	$ 21.1
Interest cost on projected benefit obligation	41.5	36.7	32.5
Return on assets:			
Actual return	(69.4)	(35.4)	(84.5)
Deferred actuarial gain/(loss)	6.8	(23.1)	33.4
Assumed return	(62.6)	(58.5)	(51.1)
Amortization of prior service cost, actuarial gains/losses and the excess of market value of plan assets over projected benefit obligation at January 1, 1986	(14.5)	(15.4)	(15.5)
Net pension benefit	$ (8.1)	$(15.6)	$(13.0)

The assumed discount rate, the weighted-average rate of compensation increase used to measure the projected benefit obligation, and the expected long-term rate of return on plan assets were 9.0%, 6.5% and 9.0%, respectively.

The following table sets forth the funded status of all company single-employer defined benefit plans (underfunded plans are not material) at December 31 (in millions):

	1988	*1987*
Plan assets at fair market value—primarily corporate equity securities and publicly traded bonds	$ 765.1	$ 722.1
Accumulated benefit obligation:		
Vested benefits	(378.0)	(321.0)
Nonvested benefits	(47.4)	(45.4)
Accumulated benefit obligation	(425.4)	(366.4)
Effect of projected compensation increases	(87.7)	(89.6)
Projected benefit obligation	(513.1)	(456.0)
Plan assets in excess of projected benefit obligation	$ 252.0	$ 266.1

	1988	1987
Plan assets in excess of projected benefit obligation consist of the following components:		
Unamortized excess of market value of plan assets over projected benefit obligation at January 1, 1986 being amortized over 15 years	$ 188.1	$ 204.2
Unrecognized net actuarial gains	8.8	16.7
Prior service costs	(18.0)	(2.7)
Prepaid pension	73.1	47.9
	$ 252.0	$ 266.1

Contributions to multi-employer plans in which the company and its subsidiaries participate are determined in accordance with the provisions of negotiated labor contracts and are based on employee-hours worked.

In addition to providing pension benefits, the company provides health care and life insurance benefits to certain employees who attain specified age and years of service requirements. The cost of such benefits is recognized as an expense as claims are paid and was not material for any of the years presented.

7 *Income Taxes*

The provision for income taxes includes the following for each of the three years ended December 31 (in millions):

	1988	1987	1986
Current Tax Provision			
Federal:			
Provision	$330.5	$341.7	$310.5
Investment tax credit	—	(14.0)	(43.5)
	330.5	327.7	267.0
State and foreign	66.7	40.7	29.6
	397.2	368.4	296.6
Deferred Tax Provision:			
Federal	45.4	76.3	125.6
State and foreign	1.6	4.9	7.1
	47.0	81.2	132.7
	$444.2	$449.6	$429.3

The deferred tax provision results from timing differences in the recognition of income and expense for tax and financial reporting purposes. The primary difference is the calculation of depreciation for tax purposes using accelerated methods and shorter lives (tax effect of $70.1 million in 1988, $79.5 million in 1987 and $160.0 million in 1986).

The company's effective tax rate was 38.3% in 1988, 42.2% in 1987 and 45.3% in 1986. A reconciliation between the statutory rate and the effective rate is presented below:

	1988	1987	1986
Statutory rate	34.0%	40.0%	46.0%
Investment tax credit	—	(1.3)	(4.6)
State income taxes, net of federal benefit	3.4	2.2	1.8
Other	.9	1.3	2.1
Effective tax rate	38.3%	42.2%	45.3%

8 *Cash Flows*

In 1988, the company adopted the provisions of Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," which requires that the Statement of Changes in Financial Position be replaced with a Statement of Cash Flows. The 1987 and 1986 Statement of Changes in Financial Position have been restated to conform to the 1988 presentation.

For purposes of the Statement of Cash Flows, all short-term investments with maturities of 90 days or less are considered cash equivalents. Such amounts include marketable securities of $50.1 million in 1988 and $78.0 million in 1987. The effect of foreign currency exchange rate fluctuations was not material for any of the years ended December 31, 1988, 1987 and 1986.

Supplemental information with respect to the Statement of Cash Flows is presented below (in millions):

	1988	*1987*	*1986*
Interest paid, net of capitalized interest	$ 87.6	$ 78.7	$ 66.1
Income taxes paid	369.8	380.7	252.5
Excise taxes paid	781.0	760.7	724.5
Changes in non-cash working capital			
Decrease/(increase) in non-cash current assets:			
Accounts receivable	$ (67.4)	$ (16.1)	$ (71.9)
Inventories	(53.8)	(22.7)	(90.2)
Other current assets	30.0	(33.6)	5.7
Increase/(decrease) in current liabilities:			
Accounts payable	27.7	48.8	68.4
Accrued salaries, wages and benefits	32.0	17.2	(.6)
Accrued interest payable	9.8	8.5	.6
Due to customers for returnable containers	2.3	4.4	.9
Accrued taxes, other than income taxes	(2.6)	(2.3)	7.6
Estimated income taxes	18.0	(21.5)	41.1
Other current liabilities	23.3	7.9	23.9
Decrease/(increase) in non-cash working capital	$ 19.3	$ (9.4)	$ (14.5)

9 *Convertible Redeemable Preferred Stock*

On November 2, 1987, substantially all of the outstanding shares of the company's Series A Convertible Redeemable Preferred Stock were converted to common stock, on exercise of holders' rights of conversion. Pursuant to the terms of the preferred stock, the company had called the preferred stock for redemption on that date. A total of 27,874,556 shares of common stock were issued in the conversion.

10 *Preferred And Common Stock*

Stock Activity

Activity in the company's various stock categories for each of the three years ended December 31 is summarized below:

	Common Stock Issued	*Common Stock In Treasury*	*Convertible Redeemable Preferred Stock*
Balance, December 31, 1985	146,633,977	(8,114,453)	7,491,957
Shares issued under stock option plans and conversion of preferred stock	1,258,188		(43,250)
Two-for-one stock split	147,372,759	(8,114,453)	
Treasury stock acquired		(10,170,834)	
Balance, December 31, 1986	295,264,924	(26,399,740)	7,448,707
Shares issued under stock plans and conversion of preferred stock	3,737,400		(232,665)
Redemption of preferred stock	27,874,556		(7,216,042)
Treasury stock acquired		(7,477,866)	
Balance, December 31, 1987	326,876,880	(33,877,606)	—
Shares issued under stock plans	4,078,794		
Treasury stock acquired		(13,671,800)	
Balance, December 31, 1988	330,955,674	(47,549,406)	—

At December 31, 1988 and 1987, 40,000,000 shares of $1.00 par value preferred stock were authorized and unissued.

Stock Repurchase Programs

The Board of Directors has approved various resolutions in recent years authorizing the company to purchase shares of its common stock for investment purposes, to meet the requirements of the company's various stock purchase and incentive plans and to meet the requirements for the conversion to common stock of preferred stock issued in connection with the acquisition of Campbell Taggart. The company has acquired 13,671,800, 7,477,866 and 10,170,834 shares of common stock in 1988, 1987 and 1986 for $416.9, $234.7 and $258.9 million, respectively. At December 31, 1988, approximately 12 million shares were available for repurchase under existing resolutions.

Stockholder Rights Plan

In 1985, the Board of Directors adopted a Stockholder Rights Plan pursuant to which the Board declared a dividend of one preferred stock purchase right on each outstanding share of common stock of the company. The rights have subsequently been amended in certain respects, and the description below reflects the terms of the rights as amended. After the rights become exercisable and until such time as the rights expire or are redeemed, they will entitle the holder to purchase one one-hundredth of a share of a new Series B Junior Participating Preferred Stock, par value $1.00 per share (4,000,000 shares were reserved for issuance at December 31, 1988 and 1987), at a purchase price of $50 per one one-hundredth of a share. The rights will become exercisable on the earlier to occur of (i) the tenth day following a public announcement that a person or group (an "Acquiring Person") has acquired 20% or more of the common stock of the company or (ii) the tenth business day following the commencement of a tender offer or exchange offer by a third party which, upon consummation, would result in such party's control of 30% or more of the common stock of the company.

If, at any time after the rights have become non-redeemable, the company is the surviving corporation in a merger with an Acquiring Person and its common stock is not changed or exchanged, or an Acquiring Person becomes the beneficial owner of more than 30% of the then outstanding shares of common stock, each right will entitle the holder, other than the Acquiring Person, to purchase that number of shares of common stock of the company which has a market value of twice the exercise price of the right.

If, at any time after the rights have become non-redeemable, the company is acquired in a merger or other business combination transaction or 50% or more of its assets or earning power is sold, each right will entitle its holder to purchase that number of shares of common stock of the acquiring company which has a market value of twice the exercise price of the right.

The rights, which do not have voting rights, expire on December 18, 1995, and may be redeemed by the company at a price of 2-1/2 cents per right at any time prior to expiration or the date on which the company's Board of Directors permits the rights to become non-redeemable (subject to reinstatement in certain circumstances).

11 *Commitments And Contingencies*

In connection with plant expansion and improvement programs, the company has commitments for capital expenditures of approximately $559.6 million at December 31, 1988.

Obligations under capital and operating leases are not material.

The company and certain of its subsidiaries are involved in certain claims and legal proceedings in which monetary damages and other relief are sought. The company is vigorously contesting these claims. However, resolution of these claims is not expected

to occur quickly and their ultimate outcome cannot presently be predicted. In any event, it is the opinion of management that any liability of the company or its subsidiaries for claims or proceedings will not materially affect its financial position.

12 *Business Segments*

The company has identified its principal business segments as beer and beer-related, food products and diversified operations. The beer and beer-related segment produces and sells the company's beer products. Included in this segment are the company's raw material acquisition, malting, can manufacturing and recycling operations.

The food products segment consists of the company's food and food-related operations which include the company's baking and snack food subsidiaries, certain rice operations and its yeast operations through June 3, 1988.

Diversified operations consist of the company's entertainment, communications, transportation and real estate operations.

Sales between segments, export sales and non-United States sales are not material. The company's equity in earnings of affiliated companies has been included in other income and expense. No single customer accounted for more than 10% of sales.

Summarized below is the company's business segment information for 1988, 1987 and 1986 (in millions). Intra-segment sales have been eliminated from each segment's reported net sales.

1988:	*Beer and Beer-Related*	*Food Products*	*Diversified Operations*	*Eliminations*	*Consolidated*
Net sales	$6,902.0	$1,680.9	$361.8	$(20.6)	$8,924.1
Operating income*	1,168.2	55.0	40.9		1,264.1
Depreciation and amortization expense***	252.9	70.7	35.4		359.0
Capital expenditures	785.4	100.9	64.2		950.5
Identifiable assets	5,102.4	1,229.7	340.9		6,673.0
Corporate assets****					436.8
Total assets					7,109.8

1987:	*Beer and Beer-Related*	*Food Products*	*Diversified Operations*	*Eliminations*	*Consolidated*
Net sales	$6,375.8	$1,627.2	$366.1	$(19.4)	$8,349.7
Operating income*	1,090.2	54.4	4.0 **		1,148.6
Depreciation and amortization expense***	215.4	70.4	34.3		320.1
Capital expenditures	630.4	149.1	62.3		841.8
Identifiable assets	4,580.5	1,230.1	325.0		6,135.6
Corporate assets****					412.3
Total assets					6,547.9

1986:	*Beer and Beer-Related*	*Food Products*	*Diversified Operations*	*Eliminations*	*Consolidated*
Net sales	$5,898.2	$1,552.7	$324.4	$ (21.0)	$7,754.3
Operating income*	945.8	56.6	15.6		1,018.0
Depreciation and amortization expense***	192.3	60.5	28.4		281.2
Capital expenditures	544.8	164.3	87.1		796.2
Identifiable assets	4,083.8	1,114.1	307.0		5,504.9
Corporate assets****					393.2
Total assets					5,898.1

**Operating income excludes other expense, net, which is not allocated among segments. For 1988, 1987 and 1986 other expense, net of $104.0, $84.3 and $70.7 million, respectively, includes net interest expense, other income and expense, and equity in earnings of affiliated companies.*

***Includes the disposition of Exploration Cruise Lines.*

****Consolidated depreciation and amortization expenses include $12.4, $11.8 and $9.2 million of depreciation expense related to corporate assets for 1988, 1987 and 1986, respectively.*

*****Corporate assets principally include cash, marketable securities, investment in affiliated companies, excess of cost over net assets of acquired businesses and certain fixed assets.*

13 *Additional Information*

Additional income statement information (in millions):

	1988	*1987*	*1986*
Maintenance	$327.0	$316.5	$298.6
Payroll taxes	$129.0	$121.0	$109.0
Advertising costs	$626.8	$605.1	$601.8

Summarized below is selected financial information for Anheuser-Busch, Incorporated (a wholly-owned subsidiary of Anheuser-Busch Companies, Inc.) as of and for the year ended December 31 (in millions):

	1988	*1987*	*1986*
Income Statement Information:			
Net sales	$6,436.0	$6,117.5	$5,738.1
Gross profit	2,260.9	2,165.3	1,965.8
Net income (1)	628.5	574.4	445.6
Balance Sheet Information:			
Current assets	593.3	557.2	
Non-current assets	6,458.7	5,562.8	
Current liabilities	617.1	533.8	
Non-current liabilities (1)	2,616.9	2,396.7	

(1) Anheuser-Busch, Incorporated is co-obligor for all outstanding Anheuser-Busch Companies, Inc. indebtedness. Accordingly, all such debt is included as an element of non-current liabilities and the interest thereon is included in the determination of net income.

14 *Quarterly Financial Data (Unaudited)*

Summarized quarterly financial data for 1988 and 1987 (in millions, except per share data) appear below:

	Net Sales		*Gross Profit*		*Net Income*		*Earnings Per Share*	
	1988	*1987*	*1988*	*1987*	*1988*	*1987*	*1988*	*1987*
First quarter	$2,073.7	$1,927.3	$ 726.1	$ 683.2	$152.4	$128.1	$ .51	$ .42
Second quarter	2,322.2	2,177.0	822.5	786.9	211.5	181.8	.72	.60
Third quarter	2,340.4	2,193.0	835.5	809.2	226.5	195.2	.78	.65
Fourth quarter	2,187.8	2,052.4	714.5	696.1	125.5	109.6	.44	.37
Total year	$8,924.1	$8,349.7	$3,098.6	$2,975.4	$715.9	$614.7	$ 2.45	$ 2.04

Financial Summary–Operations

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions, except per share data)

	1988	1987	1986
Consolidated Summary Of Operations			
Barrels sold	78.5	76.1	72.3
Sales	$9,705.1	$9,110.4	$8,478.8
Federal and state excise taxes	781.0	760.7	724.5
Net sales	8,924.1	8,349.7	7,754.3
Cost of products and services	5,825.5	5,374.3	5,026.5
Gross profit	3,098.6	2,975.4	2,727.8
Marketing, administrative and research expenses	1,834.5	1,826.8	1,709.8
Operating income	1,264.1	1,148.6	1,018.0
Interest expense	(141.6)	(127.5)	(99.9)
Interest capitalized	44.2	40.3	33.2
Interest income	9.8	12.8	9.6
Other expense, net	(16.4)	(9.9)	(13.6)
Gain on sale of Lafayette plant	—	—	—
Income before income taxes	1,160.1	1,064.3	947.3(3)
Income taxes	444.2	449.6	429.3
Income before cumulative effect of an accounting change	715.9	614.7	518.0
Cumulative effect of change in accounting method (1)	—	—	—
Net income	715.9	614.7	518.0(3)
Per share—Primary			
Income before cumulative effect of an accounting change	2.45	2.04	1.69(3)
Cumulative effect of change in accounting method (1)	—	—	—
Net income	2.45	2.04	1.69(3)
Per share—Fully diluted	2.45	2.04	1.69(3)
Cash dividends paid			
Common stock	188.6	148.4	120.2
Per share	.66	.54	.44
Preferred stock	—	20.1	26.9
Per share	—	3.23	3.60
Average number of common shares	292.2	301.5	306.6

Notes To Financial Summary—Operations

Note: All per share information and average number of common shares data reflect the September 12, 1986 two-for-one stock split and the June 14, 1985 three-for-one stock split. All amounts reflect the acquisition of Campbell Taggart, Inc. as of November 2, 1982. Financial information prior to 1988 has been restated to reflect the adoption in 1988 of Financial Accounting Standards No. 94, Consolidation of Majority-Owned Subsidiaries.

(1) Effective January 1, 1979, the company adopted the flow-through method of accounting for investment tax credits. In prior years, the company followed the practice of adding investment tax credit to income over the productive lives of the assets generating such credit, rather than in the year in which the assets were placed in service. Accordingly, such benefits deferred in prior years are being added to income in the current year.

(2) Net income and net income per share include a nonrecurring gain on the sale of the corn refining plant in Lafayette, Indiana. This nonrecurring gain increased net income $13.3 million, primary earnings per share $.05 and fully diluted earnings per share $.04.

(3) Effective January 1, 1986, the company adopted the provisions of Financial Accounting Standards No. 87 (FAS 87), Employers' Accounting For Pensions. The financial effect of FAS 87 adoption was to increase 1986 pretax income $45 million, net income $23 million and earnings per share $.08.

1985	*1984*	*1983*	*1982*	*1981*	*1980*	*1979*	*1978*
68.0	64.0	60.5	59.1	54.5	50.2	46.2	41.6
$7,756.7	$7,218.8	$6,714.7	$5,251.2	$4,435.9	$3,822.4	$3,263.7	$2,701.6
683.0	657.0	624.3	609.1	562.4	527.0	487.8	442.0
7,073.7	6,561.8	6,090.4	4,642.1	3,873.5	3,295.4	2,775.9	2,259.6
4,729.8	4,464.6	4,161.0	3,384.3	3,001.9	2,553.9	2,172.1	1,762.4
2,343.9	2,097.2	1,929.4	1,257.8	871.6	741.5	603.8	497.2
1,498.2	1,338.5	1,226.4	758.8	518.6	428.6	356.7	274.9
845.7	758.7	703.0	499.0	353.0	312.9	247.1	222.3
(96.5)	(106.0)	(115.4)	(93.2)	(90.7)	(75.6)	(40.3)	(28.9)
37.2	46.8	32.9	41.2	64.1	41.7	—	—
21.3	22.8	12.5	17.0	6.2	2.4	8.4	11.7
(23.3)	(29.6)	(14.8)	(5.8)	(7.3)	(9.9)	5.4	.7
—	—	—	20.4	—	—	—	—
784.4	692.7	618.2	478.6	325.3	271.5	220.6	205.8
340.7	301.2	270.2	191.3	107.9	99.7	76.3	94.8
443.7	391.5	348.0	287.3	217.4	171.8	144.3	111.0
—	—	—	—	—	—	52.1	—
443.7	391.5	348.0	287.3(2)	217.4	171.8	196.4	111.0
1.42	1.23	1.08	1.00	.80	.64	.54	.41
—	—	—	—	—	—	.19	—
1.42	1.23	1.08	1.00(2)	.80	.64	.73	.41
1.42	1.23	1.08	.98(2)	.77	.64	.73	.41
102.7	89.7	78.3	65.8	51.2	44.8	40.7	37.0
.36⅔	.31⅓	.27	.23	.18⅘	.16½	.15	.13⅔
27.0	27.0	29.7	—	—	—	—	—
3.60	3.60	3.60	—	—	—	—	—
312.6	317.4	321.0	288.6	272.4	271.2	271.2	270.6

Financial Summary– Balance Sheet and Other Information

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions, except per share and statistical data)

	1988	*1987*	*1986*
Balance Sheet Information			
Working capital	$ 15.2	$ 75.8	$ (3.7)
Current ratio	1.0	1.1	1.0
Plant and equipment, net	5,467.7	4,994.8	4,494.9
Long-term debt	1,615.3	1,422.6	1,164.0
Total debt to total debt plus equity	34.2%	33.0%	31.6%(1)
Deferred income taxes	1,212.5	1,164.3	1,094.0
Convertible redeemable preferred stock	—	—	286.9
Shareholders equity	3,102.9	2,892.2	2,313.7
Return on shareholders equity	23.9%	22.4%	20.5%(1)
Total assets	7,109.8	6,547.9	5,898.1
Other Information			
Capital expenditures	950.5	841.8	796.2
Depreciation and amortization	359.0	320.1	281.2
Total payroll cost	1,817.7	1,790.5	1,640.9
Effective tax rate	38.3%	42.2%	45.3%
Price/earnings ratio	12.9	16.4	15.5
Percent of pretax profit on gross sales	12.0%	11.7%	11.2%
Market price range of common stock (high/low)	34⅛-29⅛	39¾-26⅜	28⅝-20
Pro Forma Information Assuming Retroactive Application Of The Flow-Through Method Of Accounting For The Investment Tax Credit (3)			
Net income (4)	715.9	614.7	518.0 (5)
Net income per share (4):			
Primary	2.45	2.04	1.69 (5)
Fully diluted	2.45	2.04	1.69 (5)
Shareholders equity	3,102.9	2,892.2	2,313.7
Return on shareholders equity	23.9%	22.4%	20.5%(1)
Book value per share	10.95	9.87	8.61
Effective tax rate	38.3%	42.2%	45.3%

Notes To Financial Summary—Balance Sheet And Other Information

Note: All per share information reflects the September 12, 1986 two-for-one stock split and the June 14, 1985 three-for-one stock split. All amounts reflect the acquisition of Campbell Taggart, Inc. as of November 2, 1982. Financial information prior to 1988 has been restated to reflect the adoption in 1988 of Financial Accounting Standards No. 94, Consolidation of Majority-Owned Subsidiaries.

(1) This percentage has been calculated by including convertible redeemable preferred stock as part of equity because it was convertible into common stock and was trading primarily on its equity characteristics.

(2) This percentage has been adjusted to reflect the change in the method of accounting for the investment tax credit in 1979, but excludes the cumulative effect.

(3) Effective January 1, 1979, the company adopted the flow-through method of accounting for the investment tax credit. In prior years, the company followed the practice of adding investment tax credit to income over the productive lives of the assets generating such credit, rather than in the year in which the assets were placed in service. Accordingly, such benefits deferred in prior years are being added to income in the current year.

(4) Includes the capitalization of interest effective January 1, 1980 that relates to the capital cost of acquiring certain fixed assets.

(5) Effective January 1, 1986, the company adopted the provisions of Financial Accounting Standards No. 87 (FAS 87), Employers' Accounting For Pensions. The financial effect of FAS 87 adoption was to increase net income $23 million and earnings per share $.08.

1985	1984	1983	1982	1981	1980	1979	1978
$ 116.0	$ 71.5	$ 173.1	$ 60.2	$ 41.0	$ 26.3	$ 88.1	$ 223.7
1.1	1.1	1.2	1.1	1.1	1.1	1.3	1.8
3,960.8	3,579.5	3,269.8	3,057.3	2,324.5	1,947.4	1,461.8	1,109.2
904.7	879.5	1,003.1	1,029.9	862.2	743.8	507.9	427.3
26.9%(1)	28.2%(1)	32.8%(1)	36.8%(1)	42.5%	43.4%	36.0%	36.4%
964.7	757.9	574.3	455.2	357.7	261.6	193.8	146.9
287.6	286.9	286.0	285.0	—	—	—	—
2,173.0	1,951.0	1,766.5	1,526.6	1,206.8	1,031.4	904.3	747.9
18.9%(1)	18.2%(1)	18.0%(1)	19.9%(1)	19.3%	17.8%	16.9%(2)	15.6%
5,192.9	4,592.5	4,386.8	3,965.2	2,938.1	2,449.7	1,926.0	1,648.0
611.3	532.3	441.3	380.9	441.5	590.0	432.3	228.7
240.0	207.9	191.3	136.9	111.0	99.4	75.4	66.0
1,559.1	1,438.6	1,361.7	864.0	695.5	594.1	529.1	421.8
43.4%	43.5%	43.7%	40.0%	33.2%	36.7%	34.6%	46.0%
14.9	9.8	9.6	11.0	8.9	7.3	7.1	9.8
10.1%	9.6%	9.2%	9.1%	7.3%	7.1%	6.8%	7.6%
22⅞-11⅞	12⅜-8⅞	12⅞-9¾	11⅞-6½	7⅜-4⅝	5¼-3½	4½-3¼	4⅝-2⅞
443.7	391.5	348.0	287.3	217.4	171.8	144.3	121.9
1.42	1.23	1.08	1.00	.80	.64	.54	.45
1.42	1.23	1.08	.98	.77	.64	.54	.45
2,173.0	1,951.0	1,766.5	1,526.6	1,206.8	1,031.4	904.3	800.1
18.9%(1)	18.2%(1)	18.0%(1)	19.9%(1)	19.3%	17.8%	16.9%	16.1%
7.84	6.91	6.09	5.27	4.43	3.81	3.33	2.96
43.4%	43.5%	43.7%	40.0%	33.2%	36.7%	34.6%	40.8%

INVESTOR INFORMATION

The Corporation

Anheuser-Busch Companies, Inc. is a diversified corporation whose subsidiaries include the world's largest brewing organization and the country's second largest producer of fresh baked goods. Other subsidiaries operate in the fields of container manufacturing and recycling, malt and rice production, international beer marketing, non-beer beverages, snack foods, family entertainment, real estate development, major league baseball, stadium ownership, creative services, railcar repair and transportation services.

Trademarks

Trademarks of the corporation and its subsidiaries include: Anheuser-Busch, the A & Eagle Design, Budweiser, Bud, Bud Light, King of Beers, Michelob, Michelob Dry, Michelob Light, Michelob Classic Dark, Mich, Busch, Natural Light, LA, King Cobra, Busch Gardens, The Dark Continent, The Old Country, Adventure Island, Kingsmill, Cardinals, Eagle (for snacks), Rainbo, Colonial, Earth Grains and El Charrito.

Annual Meeting

The annual meeting of shareholders will be held on Wednesday, April 26, 1989, in Vallejo, Calif. A formal notice of the meeting together with a proxy statement will be mailed to shareholders in mid-March 1989.

Additional Information

A copy of the company's annual report to the Securities and Exchange Commission (Form 10-K) is available to shareholders without charge upon written request to Corporate Secretary's Office, Anheuser-Busch Companies, Inc., One Busch Place, St. Louis, Mo. 63118.

Copies of the corporation's "Fact Book," a general information brochure, may be obtained by writing Corporate Communications Department, Anheuser-Busch Companies, Inc., One Busch Place, St. Louis, Mo. 63118.

Common Stock

Anheuser-Busch Companies, Inc. common stock is listed and traded on the New York Stock Exchange and the London, Frankfurt, Paris, Zurich, Geneva, Basle and Tokyo Stock Exchanges. It is also traded on the Boston, Midwest, Cincinnati, Pacific and Philadelphia Stock Exchanges and the over-the-counter market. Options in the company's common stock are traded on the Philadelphia Stock Exchange. The stock is quoted as "Anheus" or "AnheuserB" in stock table listings in daily newspapers in the U.S.; the abbreviated ticker symbol is "BUD".

Dividends

Dividends on common stock are normally paid in the months of March, June, September and December.

Dividend Reinvestment

The company's Dividend Reinvestment Plan allows shareholders to reinvest dividends in Anheuser-Busch Companies, Inc. common stock automatically, regularly and conveniently—without service charges or brokerage fees. In addition, participating shareholders may supplement the amount invested with voluntary cash investments on the same cost-free basis. Plan participation is voluntary and shareholders may join or withdraw at any time.

Full details concerning the plan are available by writing to Morgan Shareholder Services Trust Company, Dividend Reinvestment Plan, P.O. Box 3506, Church Street Station, New York, New York 10008-3506. Be certain to include a reference to Anheuser-Busch Companies, Inc. Plan information can also be obtained by writing to Anheuser-Busch Companies, Inc., Investor Relations, Bldg. 202-5, One Busch Place, St. Louis, Missouri 63118.

Transfer Agent And Registrar–Common Stock	Boatmen's Trust Company 510 Locust Street St. Louis, Missouri 63101 (314) 231-9300
Dividend Disbursing Agent	Boatmen's Trust Company 510 Locust Street St. Louis, Missouri 63101 (314) 231-9300
Trustees–Debentures/Notes	5.45%, 6%, 8-5/8% and 8-1/2% debentures, 8% notes and 14% Australian dollar notes: Chemical Bank 20 Pine Street New York, New York 10015 7.95%, 8.55%, 9.20% and 10% debentures, 8-7/8% notes, and medium term notes: Manufacturers Hanover Trust Company 600 Fifth Avenue New York, New York 10020
Fiscal Agents–Notes/Bonds	9-1/8% and 11-1/8% notes: Manufacturers Hanover Trust Company 600 Fifth Avenue New York, New York 10020 8% dual-currency Japanese yen/U.S. dollar notes: The Industrial Bank of Japan, Limited 3-3 Marunouchi 1-Chome Chiyoda-ku Tokyo 100, Japan
Independent Accountants	Price Waterhouse One Boatmen's Plaza St. Louis, Missouri 63101
Corporate Office	One Busch Place St. Louis, Missouri 63118 (314) 577-2000

OFFICERS

Anheuser-Busch Companies, Inc.

Policy Committee

August A. Busch III*
Chairman of the Board and President

Jerry E. Ritter*
Vice President and Group Executive

Barry H. Beracha
Vice President and Group Executive

Patrick T. Stokes
Vice President and Group Executive

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Senior Vice President - Corporate Planning and Development

W. Randolph Baker
Vice President and Group Executive

Stephen K. Lambright
Vice President and Group Executive

Stuart F. Meyer
Vice President - Corporate Human Resources

Raymond E. Goff
Vice President and Group Executive

Michael J. Roarty
Vice President

Jaime Iglesias
President & Managing Director of Anheuser-Busch Europe, Inc.

Member of the Corporate Office

Other Officers

John L. Hayward
Vice President and Secretary

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Vice President and Corporate Representative

Aloys H. Litteken
Vice President - Corporate Engineering

Wayman F. Smith III
Vice President - Corporate Affairs

Thomas R. Billen
Vice President - Corporate Financial Planning

Walter A. Suhre, Jr.
Vice President and General Counsel

Osmond Conrad
Vice President and Controller

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Senior Vice President - Wholesaler/Industry Affairs

Donald W. Kloth
Vice President - Materials Acquisition

Jesse Aguirre
Vice President-Corporate Relations

Lee J. Waltemade
Vice President-Corporate Labor Relations

Gerald C. Thayer
Vice President and Treasurer

Kenn A. Reynolds
Vice President—Corporate Research and Development

Richard F. Keating
Vice President-National Affairs

Albert R. Wunderlich
Tax Controller

JoBeth Brown
Assistant Secretary

Knut C. Heise
Assistant Secretary

Richard A. Schwartz
Assistant Secretary

Richard N. Hill
Assistant Treasurer

Bruce M. Sandison
Assistant Treasurer

Principal Officers of Anheuser-Busch Companies Subsidiaries

Anheuser-Busch, Inc.

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Executive Vice President - Marketing

Andrew J. Steinhubl
Senior Vice President - International Brewing and New Product Development

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Vice President - Operations

Charles W. Wirtel
Vice President - Planning and Development

Joseph P. Lynch
Vice President - Quality Assurance

Gerhardt A. Kraemer
Vice President - Brewing

William L. Rammes
Vice President-Administration

Paul J. Morrissey
Vice President-Wholesale Operations Division

James D. Boden
Vice President-Operations Control

Henry H. Brown
Vice President-Market Development

Charles B. Fruit
Vice President-Corporate Media

James W. Gillespie
Vice President-Planning and Administration, Wholesale Operations Division

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Vice President-Trade Sales Development

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Vice President-Sales

John N. MacDonough
Vice President - Brand Management

Edward G. Martin
Vice President-International Brewing-Europe

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Vice President-Wholesaler Development

Paul V. von Gontard
Vice President and Resident Manager-St. Louis

Klaus D. Zastrow
Vice President-Brewing Technical Services

Royce J. Estes
Vice President and Deputy General Counsel

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Vice President-Plant Operations

Mark E. Danner
Vice President-National Accounts

Metal Container Corporation

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Chairman of the Board and Chief Executive Officer

Charles E. Briscoe, Jr.
Group Vice President

Paul L. Winslow
Group Vice President

William C. Wilkenloh
Vice President-Sales and Marketing

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Donald W. Kloth
President

John A. Brussman
Vice President and General Manager

Container Recovery Corporation

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President

William I. Solomon
Executive Vice President and Chief Operating Officer

Gary A. Bybee
Vice President-Finance and Planning

G. Weber Gaskin
Vice President-Marketing and Recycling

Anheuser-Busch International, Inc.

John H. Purnell
Chairman of the Board

Jaime Iglesias
President & Managing Director-Europe

Johnson C. Leung
President & Managing Director-Far East

Bruce B. Adaire
Vice President-International Affairs

Jonathan Radice
Vice President and Staff Director-Europe

George S. Thomas
Vice President and Deputy General Counsel

Robert J. Gunthner
Vice President-Marketing

Anheuser-Busch Investment Capital Corporation

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President

Campbell Taggart, Inc.

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President and Chief Executive Officer

C. B. Lane, Jr.
Vice Chairman of the Board

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Executive Vice President-Administration and Bakery Division

Leon Pritzker
Executive Vice President-Staff Operations

John W. Iselin, Jr.
Vice President-Diversified Operations

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Vice President and General Counsel

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Vice President-Planning and Development

Henry J. Himmelberg
Vice President and Controller

Jaime Iglesias
Vice President-International

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Vice President and General Manager

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Executive Vice President-Plant and Branch Operations

Timothy J. Fleming
Vice President-Sales

Glennon J. Martin, Jr.
Vice President-Engineering

Thomas H. George
Vice President-Brand Administration

Paul S. Lach
Vice President-Finance and Financial Planning

Phillip P. Abbadessa
Vice President-National Accounts

Stephen J. Galluzzo
Vice President-Quality Assurance

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Vice President and General Manager

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Vice President-Finance and Planning

R. Burl Purvis
Vice President-Revenue

Brian D. Smith
Vice President-Marketing

James R. Yust
Vice President-Engineering

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Chairman of the Board and President

Brian W. Foster
Vice President-Finance and Planning

Harry D. Knight
Vice President and General Manager-Kingsmill

John C. Martz, Jr.
Vice President-Corporate Real Estate

St. Louis National Baseball Club, Inc.

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Chairman of the Board and President

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Executive Vice President and Chief Operating Officer

August A. Busch III
Vice President

Stanley F. Musial
Senior Vice President

Charles D. Maxvill
Vice President and General Manager

Mark D. Gorris
Vice President-Finance and Administration

Marty Hendin
Vice President-Marketing

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Fred L. Kuhlmann
Chairman of the Board

Mark Sauer
President and Chief Executive Officer

John E. Taylor, Jr.
Senior Vice President; Controller; Assistant Secretary-Treasurer

Busch Creative Services Corporation

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Chairman of the Board and Chief Executive Officer

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President

Kevin J. Quigley
Vice President and General Manager

Michael Provin
Vice President-Marketing

St. Louis Refrigerator Car Company

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Chairman of the Board

Roy W. Chapman
President

Walter J. Andrews
Vice President-Operations

Edward R. Goedeke, Jr.
Vice President-Marketing

Manufacturers Railway Company

August A. Busch, Jr.
Chairman of the Board and Chief Executive Officer

Roy W. Chapman
President

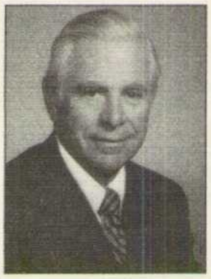
Eldon D. Harris
Vice President-Operations; Secretary

Edward R. Goedeke, Jr.
Vice President-Marketing

DIRECTORS

August A. Busch III
Chairman of the Board and President

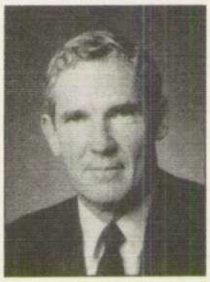
August A. Busch, Jr.
Honorary Chairman of the Board



Richard T. Baker
Former Chairman-Ernst & Ernst (now Ernst & Whinney); certified public accountants, and presently Consultant to that firm

Bernard A. Edison
Chairman of the Finance Committee-Edison Brothers Stores, Inc.; retail specialty stores

Peter M. Flanigan
Managing Director-Dillon, Read & Co. Inc.; an investment banking firm



Charles F. Knight
Chairman of the Board and Chief Executive Officer-Emerson Electric Company; a manufacturer of electrical and electronic equipment

Fred L. Kuhlmann
Vice Chairman of the Board, Anheuser-Busch Companies, Inc., and Executive Vice President and Chief Operating Officer-St. Louis National Baseball Club, Inc.

Vernon R. Loucks, Jr.
Chairman and Chief Executive Officer-Baxter International, Inc.; an international manufacturer and marketer of health care products, systems and services.

Vilma S. Martinez
Partner-Munger, Tolles & Olson; attorneys

Sybil C. Mobley
Dean of the School of Business and Industry-Florida A&M University

James B. Orthwein
Partner-Huntleigh Asset Partners; a private investment firm

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Special Representative-Customer Relations-Anheuser-Busch Companies, Inc.

Armand C. Stalnaker
Professor of Management-Washington University School of Business

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Chairman of the Board-Kellwood Company; a manufacturer of apparel and home fashions

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President and Chief Operating Officer-Southwestern Bell Corporation; a national communications corporation

Advisory Member

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Former Chairman of the Board-First Union Bancorporation (now part of Boatmen's Bancshares, Inc.); a multi-bank holding company

Director Emeritus

M. R. Chambers
Former Chairman of the Executive Committee and Director-INTERCO INCORPORATED

ANHEUSER-BUSCH COMPANIES, INC.

Produced by the
Corporate Communications Department
Irene Hannon, Manager
External Communications

Designed by
Busch Creative Services Corporation
Gerald Coleman, Art Director

Anheuser-Busch Companies, Inc.
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